S. HRG. 98-202

HOTEL EMPLOYEES & RESTAURANT EMPLOYEES INTERNATIONAL UNION

HEARINGS

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

PART 3

APRIL 27 AND 28, 1983

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HOTEL EMPLOYEES & RESTAURANT EMPLOYEES INTERNATIONAL UNION

WEDNESDAY, APRIL 27, 1983

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 10 a.m., in room S.D. 342, Dirksen Senate Office Building, under authority of Senate Resolution 76, Section 13, dated March 2, 1983, Hon. William V. Roth, Jr. (chairman of the subcommittee) presiding.

Members of the subcommittee present: Senator William V. Roth, Jr., Republican, Delaware; and Senator Warren B. Rudman, Republican, New Hampshire.

Members of the professional staff present: S. Cass Weiland, chief counsel; Eleanore J. Hill, chief counsel to the minority; Katherine Bidden, chief clerk; James B. McMahon, deputy chief counsel; Howard Shapiro and Barbara Jeanne Cart, staff counsels; David Faulkner, detailed investigator from the Federal Bureau of Investigation; Terrance Bostic, assistant counsel to the minority; Leonard Willis, staff investigator, minority; Sarah Presgrave, executive assistant to the chief counsel of the majority; Mitch Goldberg and Cindy Cappel, subcommittee staff.

[Member of the subcommittee present: Senator Roth.]

Chairman ROTH. The subcommittee will be in order.

[The letter of authority follows:]

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
Washington, D.C.

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any Member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with hearings on the Hotel Employees and Restaurant Employees International Union, to be held on April 27 and 28, 1983.

WILLIAM V. ROTH, Jr.,
Chairman.

SAM NUNN,
Ranking Minority Member.

OPENING STATEMENT OF SENATOR ROTH

Chairman ROTH. Today and tomorrow the Permanent Subcommittee on Investigations will continue its hearings on the infiltration of the Hotel and Restaurant Employees International Union by organized crime.

These hearings, beginning in 1981, showed such infiltration and misuse of funds at the local level and particularly the efforts of the international to dominate the local unions.

Today, we will continue our investigation of some specific local unions, but we will also be concentrating more on the role of the international, the abuse of power there, and the misuse of funds by the international union.

The purpose of a union is, of course, to protect and safeguard the rights of workers who choose to organize. Unfortunately, the large sums of funds collected by various means, such as dues, or payments for health and welfare programs have, on occasion—and I emphasize the word occasion—attracted to some unions the unscrupulous and corrupt and, to put it bluntly, organized crime.

The Hotel Workers is unfortunately one of these unions.

Today, we will have as one of our key witnesses, a Mr. Joseph Hauser, an individual who has previously been the subject of an investigation by this subcommittee.

In 1977, Mr. Hauser appeared as a witness and refused to respond to questions. Today, he will return to relate his direct knowledge of pay-offs, kickbacks to union officials, and the control of organized crime in Chicago over the Hotel Workers Union.

I believe that his testimony will be among the most important that we will receive, a totally shocking story as it illustrates the union's disregard for its rank and file members.

I would point out in the coming months we will be continuing to hold hearings in this area with a greater focus upon union benefit plans, the finances of the International Union and particularly the authority of the International General President, Ed Hanley.

At this time, I shall place into the hearing record, the July 1982 edition of the Catering Industry Employee, which is the Hotel Union's monthly magazine.

[The magazine referred to was marked "Exhibit No. 1," for reference, and may be found in the files of the subcommittee.]

Chairman ROTH. The focus of this particular issue is the retirement of John Gibson, who was General Secretary-Treasurer and many of its 24 pages are devoted to glowing accolades about Gibson, but nowhere does it point out that Gibson had been indicted and convicted of misusing Federal or rather union funds nor is it mentioned that his actual resignation coincided with the Supreme Court's denial of his appeal.

John Gibson is now serving a 4 month sentence in connection with the conviction and at this time, he is being continued to be paid his union salary which exceeds $85,000 per year, under a lifetime contract agreement which the four top officials of the international union have.

I shall place copies of these four agreements into the record.

[The material referred to was marked "Exhibit No. 2," for reference, and follow:]

EXHIBIT No. 2

RESOLUTION

Whereas, General President Edward T. Hanley has established an outstanding record of achievement as a local union and Joint Executive Board officer, as a Vice President of the 5th District and currently as General President of our International Union; and

Whereas, these heavy duties and responsibilities may overburden any person's physical and mental endurance, making normal retirement age unrealistic for the office of General President; and

Whereas, because of his long, loyal and dedicated service, he is entitled to the sincere gratitude of the International Union far above the renumeration provided in the emoluments incidental to his office: Now therefore be it

Resolved, That, by reason of the recognition expressed above and in consideration thereof, the General Executive Board by this Resolution grant to our General President, Edward T. Hanley, the privilege of retiring and assuming the title "General President Emeritus" at any time he may elect in the future with full pay and with all the emoluments of his office as of that time, less any and all amounts that he may receive as a pension from the H&R&EBIU Officers and Staff Pension Plan, for the remainder of his life upon oral or written notification and election so to retire and given to the General Executive Board; and be it further

Resolved, That, in order to implement this Resolution, the General Executive Board enter into a written contract with General President Edward T. Hanley providing as follows:

AGREEMENT

Whereas Edward T. Hanley, in the course of his many years of dedicated service to the International Union has acquired special knowledge and has special talent and ability in regard to the affairs of the International Union and to matters of paramount importance to it by reason of which the International Union desires that Edward T. Hanley may be available for the purpose of advice and counsel in such matters: Now therefore the parties agree as follows:

1. Edward T. Hanley agrees that, in the event he retires as provided in said Resolution, he will make himself available at all reasonable times for the purpose of rendering advice and counsel with respect to the affairs of the International and that he will render such advice and counsel to the best of his ability.

In the event, however, that physical or mental disability or any other reason prevents the rendering of such advice and counsel or if the International fails to request such advice and counsel, the same shall not be considered a breach of this Agreement and shall in no manner affect the obligations incurred by the International in accordance with this Agreement.

2. Edward T. Hanley further agrees that, upon his retirement, he will assume the title of General President Emeritus and that he will give oral or written notification and election to retire in accordance with the Resolution set forth in the above premises.

3. Edward T. Hanley further agrees that, during his retirement, he will endeavor to the best of his ability to advance and support the purposes of the International Union.

4. Edward T. Hanley further agrees that he will cooperate fully with his successor and will execute and/or deliver to his successor any and all documents, records and assets belonging to the International of which he may be possessed at the time of the effective date of his retirement.

5. The International Union agrees that, in consideration of the premises and of the promises of Edward T. Hanley herein contained, in the event Edward T. Hanley retires as provided herein, the International will pay to Edward T. Hanley for the remainder of his life the full pay with all the emoluments of his office as of that time, less any and all amounts that he actually receives as a pension from the H&RE&BIU Officers and Staff Pension Plan.

6. The Parties hereto mutually agree that this Agreement shall supersede a prior Agreement made on the 29th day of November, 1973, between the International and Edward T. Hanley.

Witnesseth:

JOHN J. REYNOLDS,
General Counsel.

Dated: June 18, 1981.

HOTEL AND RESTAURANT EMPLOYEES AND
BARTENDERS INTERNATIONAL UNION,

JOHN GIBSON,
General Secretary-Treasurer.
MARCEL KENNEY,
Vice President.
DAVID SIEGAL,
Vice President.
HERBERT TRIPLETT,
Vice President.
PAUL MCCASTLAND,
Vice President.
ANTHONY SPANO,
Vice President.
LESTER GREEN,
Vice President.
PHIL L. VALLEY,
Vice President.
GERTRUDE SWEET,
Vice President.
JOSEPH BELARDI,
Vice President.
JAMES STAMOS,
Vice President.
ALLAN E. MORGAN,
Vice President.
ANTHONY RUTLEDGE,
Vice President.
ERNESTO DIAZ,
Vice President.
RICHARD SMITH,
Vice President.
TED HANSEN,
Vice President.
JOHN C. KENNEALLY,
Vice President.
HERMAN LEAVITT,
Vice President.
RONALD RICHARDSON,
Vice President.
HERBERT SCHIFFMAN,
Vice President.

GENERAL EXECUTIVE BOARD.
EDWARD T. HANLEY,
General President.

RESOLUTION

Whereas, General Secretary-Treasurer John Gibson has established an outstanding record of achievement as a local union and Joint Executive Board officer, as a Vice President of the 5th District and currently as General Secretary-Treasurer of our International Union; and

Whereas, these heavy duties and responsibilities may overburden any person's physical and mental endurance, making normal retirement age unrealistic for the office of General Secretary-Treasurer; and

Whereas, because of his long, loyal and dedicated service, he is entitled to the sincere gratitude of the International Union far above the remuneration provided in the emoluments incidental to his office: Now therefore be it

Resolved, That, by reason of the recognition expressed above and in consideration thereof, the General Executive Board by this Resolution grant to our General Secretary-Treasurer, John Gibson, the privilege of retiring and assuming the title "General Secretary-Treasurer Emeritus" at any time he may elect in the future with full pay and with all the emoluments of his office as of that time, less any and all amounts that he may receive as a pension from the H & RE & BIU Officers and Staff Pension Plan, for the remainder of his life upon oral or written notification and election so to retire and given to the General Executive Board; and be it further

Resolved, That, in order to implement this Resolution, the General Executive Board enter into a written contract with General Secretary-Treasurer John Gibson providing as follows:

AGREEMENT

Whereas John Gibson, in the course of his many years of dedicated service to the International Union has acquired special knowledge and has special talent and ability in regard to the affairs of the International Union and to matters of paramount importance to it by reason of which the International Union desires that John Gibson may be available for the purpose of advice and counsel in such matters: Now therefore the parties agree as follows:

1. John Gibson agrees that, in the event he retires as provided in said Resolution, he will make himself available at all reasonable times for the purpose of rendering advice and counsel with respect to the affairs of the International and that he will render such advice and counsel to the best of his ability.

In the event, however, that physical or mental disability or any other reason prevents the rendering of such advice and counsel or if the International fails to request such advice and counsel, the same shall not be considered a breach of this Agreement and shall in no manner affect the obligations incurred by the International in accordance with this Agreement.

2. John Gibson further agrees that, upon his retirement, he will assume the title of General Secretary-Treasurer Emeritus and that he will give oral or written notification and election to retire in accordance with the Resolution set forth in the above premises.

3. John Gibson further agrees that, during his retirement, he will endeavor to the best of his ability to advance and support the purposes of the International Union.

4. John Gibson further agrees that he will cooperate fully with his successor and will execute and/or deliver to his successor any and all documents, records and assets belonging to the International of which he may be possessed at the time of the effective date of his retirement.

5. The International Union agrees that, in consideration of the premises and of the promises of John Gibson herein contained, in the event John Gibson retires as provided herein, the International will pay to John Gibson for the remainder of his life the full pay with all the emoluments of his office as of that time, less any and all amounts that he actually receives as a pension from the H&RE&BIU Officers and Staff Pension Plan.

6. The Parties hereto mutually agree that this Agreement shall supersede a prior Agreement made on the 27th day of November, 1974, between the International and John Gibson.

Witnesseth:

JOHN J. REYNOLDS,
General Counsel.

Dated: June 18, 1981.

HOTEL AND RESTAURANT EMPLOYEES AND
BARTENDERS INTERNATIONAL UNION,

EDWARD T. HANLEY,
General President.
MARCEL KENNEY,
Vice President.
DAVID SIEGAL,
Vice President.
HERBERT TRIPLETT,
Vice President.
PAUL MCCASTLAND,
Vice President.
ANTHONY SPANO,
Vice President.
LESTER GREEN,
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PHIL L. VALLEY,
Vice President.
GERTRUDE SWEET,
Vice President.
JOSEPH BELARDI,
Vice President.
JAMES STAMOS,
Vice President.
ALLAN E. MORGAN,
Vice President.
ANTHONY RUTLEDGE,
Vice President.
ERNESTO DIAZ,
Vice President.
RICHARD SMITH,
Vice President.
TED HANSEN,
Vice President.
JOHN C. KENNEALLY,
Vice President.
HERMAN LEAVITT,
Vice President.
RONALD RICHARDSON,
Vice President.
HERBERT SCHIFFMAN,
Vice President.
GENERAL EXECUTIVE BOARD.
JOHN GIBSON,
General Secretary-Treasurer.

RESOLUTION

Whereas, the General Executive Board has proposed amendments to the International Constitution which provide for the creation of the Constitutional office of General Vice President; and

Whereas, the office of General Vice President will of necessity entail heavy duties and responsibilities which will be both a physical and mental burden requiring extreme dedication and physical effort; and

Whereas, John C. Kenneally has established a lengthy and illustrious career as a local union leader and currently as the Administrative Assistant to the General President and as a Vice President-at-Large: Now therefore be it

Resolved: That, in the event that the Constitutional amendment creating the office of General Vice President is adopted by the delegates at this Convention and in the event that John C. Kenneally is elected to fill said office, the General Executive Board grant to John C. Kenneally as General Vice President the privilege of retiring and assuming the title "General Vice President Emeritus" at any time he may elect in the future with full pay and with all the emoluments of his office as of that time, less any and all amounts that he may receive as a pension from the H&RE&BIU Officers and Staff Pension Plan, for the remainder of his life upon oral or written notification and election so to retire and given to the General Executive Board; and be it further

Resolved, That, in order to implement this Resolution, the General Executive Board enter into a written contract with John C. Kenneally providing as follows:

AGREEMENT

Whereas John C. Kenneally, in the course of his many years of dedicated service to the International Union has acquired special knowledge and has special talent and ability in regard to the affairs of the International Union and to matters of paramount importance to it by reason of which the International desires that John C. Kenneally may be available for the purpose of advice and counsel in such matters: Now therefore the parties agree as follows:

1. John C. Kenneally agrees that, in the event he retires as provided in said Resolution, he will make himself available at all reasonable times for the purpose of rendering advice and counsel with respect to the affairs of the International Union and that he will render such advice and counsel to the best of his ability.

In the event, however, that physical or mental disability or any other reason prevents the rendering of such advice and counsel or if the International fails to request such advice and counsel, the same shall not be considered as a breach of this Agreement and shall in no manner affect the obligations incurred by the International in accordance with this Agreement.

2. John C. Kenneally further agrees that, upon his retirement, he will assume the title of General Vice President Emeritus and that he will give oral or written notification and election to retire in accordance with the Resolution set forth in the above premises.

3. John C. Kenneally further agrees that, during his retirement, he will endeavor to the best of his ability to advance and support the purposes of the International Union.

4. John C. Kenneally further agrees that he will cooperate fully with his successor and will execute and/or deliver to his successor any and all documents, records and assets belonging to the International of which he may be possessed at the time of the effective date of his retirement.

5. The International Union agrees that, in consideration of the premises and of the promises of John C. Kenneally herein contained, in the event John C. Kenneally retires as provided herein, the International will pay to John C. Kenneally for the remainder of his life the full pay with all the emoluments of his office as of that time, less any and all amounts that he actually receives as a pension from the H&RE&BIU Officers and Staff Pension Plan.

Witnesseth:

JOHN J. REYNOLDS,
General Counsel.

Dated: June 18, 1981.

HOTEL AND RESTAURANT EMPLOYEES AND
BARTENDERS INTERNATIONAL UNION,
EDWARD T. HANLEY,
General President.
JOHN GIBSON,
General Secretary-Treasurer.
MARCEL KENNEY,
Vice President.
DAVID SIEGAL,
Vice President.
HEBBERT TRIPLETT,
Vice President.
PAUL MCCASTLAND,
Vice President.
ANTHONY SPANO,
Vice President.
LESTER GREEN,
Vice President.
PHIL L. VALLEY,
Vice President.
GERTRUDE SWEET,
Vice President.
JOSEPH BELARDI,
Vice President.
JAMES STAMOS,
Vice President.
ALLAN E. MORGAN,
Vice President.
ANTHONY RUTLEDGE,
Vice President.
ERNESTO DIAZ,
Vice President.
RICHARD SMITH,
Vice President.
TED HANSEN,
Vice President.
HERMAN LEAVITT,
Vice President.
RONALD RICHARDSON,
Vice President.
HERBERT SCHIFFMAN,
Vice President.
GENERAL EXECUTIVE BOARD.
JOHN C. KENNEALLY,
Vice President.

RESOLUTION

Whereas, the General Executive Board has proposed amendments to the International Constitution which provide for the creation of the Constitutional office of Director of Organizations; and

Whereas, the office of Director of Organization will of necessity entail heavy duties and responsibilities which will be both a physical and mental burden requiring extreme dedication and physical effort; and

Whereas, Herman Leavitt has established a lengthy and illustrious career as a local union leader and as an Administrative Assistant to the General President

and currently as Director of Organization and as a Vice President-at-Large: Now therefore be it

Resolved, That, in the event that the Constitutional amendment creating the office of Director of Organization is adopted by the delegates at this Convention and in the event that Herman Leavitt is elected to fill said office, the General Executive Board grant to Herman Leavitt as Director of Organization the privilege of retiring and assuming the title "Director of Organization Emeritus" at any time he may elect in the future with full pay and with all the emoluments of his office as of that time, less any and all amounts that he may receive as a pension from the H&RE&BIU Officers and Staff Pension Plan, for the remainder of his life upon oral or written notification and election so to retire and given to the General Executive Board; and be it further

Resolved, That, in order to implement this Resolution, the General Executive Board enter into a written contract with Herman Leavitt providing as follows:

AGREEMENT

Whereas Herman Leavitt, in the course of his many years of dedicated service to the International Union has acquired special knowledge and has special talent and ability in regard to the affairs of the International Union and to matters of paramount importance to it by reason of which the International desires that Herman Leavitt may be available for the purpose of advice and counsel in such matters: now therefore the parties agree as follows:

1. Herman Leavitt agrees that, in the event he retires as provided in said Resolution, he will make himself available at all reasonable times for the purpose of rendering advice and counsel with respect to the affairs of the International Union and that he will render such advice and counsel to the best of his ability.

In the event, however, that physical or mental disability or any other reason prevents the rendering of such advice and counsel or if the International fails to request such advice and counsel, the same shall not be considered as a breach of this Agreement and shall in no manner affect the obligations incurred by the International in accordance with this Agreement.

2. Herman Leavitt further agrees that, upon his retirement, he will assume the title of Director of Organization Emeritus and that he will give oral or written notification and election to retire in accordance with the Resolution set forth in the above premises.

3. Herman Leavitt further agrees that, during his retirement, he will endeavor to the best of his ability to advance and support the purposes of the International Union.

4. Herman Leavitt further agrees that he will cooperate fully with his successor and will execute and/or deliver to his successor any and all documents, records and assets belonging to the International of which he may be possessed at the time of the effective date of his retirement.

5. The International Union agrees that, in consideration of the premises and of the promises of Herman Leavitt herein contained, in the event Herman Leavitt retires as provided herein, the International will pay to Herman Leavitt for the remainder of his life the full pay with all the emoluments of his office as of that time, less any and all amounts that he actually receives as a pension from the H&RE&BIU Officers and Staff Pension Plan.

Witnesseth:

JOHN J. REYNOLDS,
General Counsel.

Dated: June 18, 1981.

HOTEL AND RESTAURANT EMPLOYEES AND
BARTENDERS INTERNATIONAL UNION,
EDWARD T. HANLEY,
General President.

JOHN GIBSON,
General Secretary-Treasurer.
MARCEL KENNEY,
Vice President.
DAVID SIEGAL,
Vice President.
HERBERT TRILETT,
Vice President.
PAUL MCCASTLAND,
Vice President.
ANTHONY SPANO,
Vice President.
LESTER GREEN,
Vice President.
PHIL L. VALLEY,
Vice President.
GERTRUDE SWEET,
Vice President.
JOSEPH BELARDI,
Vice President.
JAMES STAMOS,
Vice President.
ALLAN E. MORGAN,
Vice President.
ANTHONY RUTLEDGE,
Vice President.
ERNESTO DIAZ,
Vice President.
RICHARD SMITH,
Vice President.
TED HANSEN,
Vice President.
JOHN C. KENNEALLY,
Vice President.
RONALD RICHARDSON,
Vice President.
HERBERT SCHIFFMAN,
Vice President.
GENERAL EXECUTIVE BOARD,
HERMAN LEAVITT.
Vice President.

CHAIRMAN ROTH. I have written to the Secretary of Labor to express my concern about these agreements and I have asked DOL to review their propriety, particularly in John Gibson's case, and I would like to place a copy of this letter into the record.

[The letter referred to was marked "Exhibit No. 3," for reference, and follows:]

EXHIBIT NO. 3

U.S. SENATE,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
Washington, D.C., April 8, 1983.

Hon. RAYMOND J. DONOVAN,
Secretary of Labor, U.S. Department of Labor, Constitution Avenue N.W., Washington, D.C.

DEAR MR. SECRETARY: The Permanent Subcommittee on Investigations will resume its public hearings on the Hotel Employees and Restaurant Employees International Union on April 27 and 28, 1983. I would like to again express my appreciation for the assistance provided to my staff by Department of Labor employees, particularly those from the Organized Crime and Racketeering Section of the Inspector General's office.

During the course of the investigation, the Subcommittee has become aware of contracts which appear to provide for the payment of lifetime salaries to four HEREIU officers, from the time of their retirements as union employees. Copies of these four agreements are attached. These agreements, which may bind the union for many years, create extreme concern, and I would be interested in any legal opinion which the Department of Labor would have regarding their propriety.

Additionally, payments have begun under one of these agreements, to John Gibson. Mr. Gibson resigned from his position as International General Secretary-Treasurer in 1982 following his conviction for misusing union funds. It is our understanding that Mr. Gibson is receiving bi-monthly payments at an annual level of over $85,000 even while he is serving a four month prison term. I would be particularly interested in a formal opinion from your Department as to whether this violate 29 U.S.C. 504, any other statute, or any Department of Labor ruling or regulation.

Please have your staff direct any questions regarding this matter to S. Cass Weiland, Subcommittee Chief Counsel, at 224–3721.

Sincerely,

WILLIAM V. ROTH, Jr., *Chairman.*

Chairman ROTH. Admittedly, these agreements were voted favorably at the last Hotel Union Convention, but the subcommittee's inquiry has indicated that many of the delegates and almost all of the key officials of this union have been handpicked by Ed Hanley and may not represent the interests of the rank and file. They are individuals who in many cases have criminal records, no prior experience and often ties to organized crime figures.

Since our last hearing, in September, the head of local 54, Frank Gerace, has been indicted for a conspiracy involving construction kickbacks, Frank Marolda and Ray Lane, the heads of locals 28 and 19 in San Jose and Oakland have been indicted for a kickback scheme involving benefit plans and I also point out one other individual indicted in this case was Allen Dorfman, who was murdered gangland style in Chicago.

So it appears that we are on the right track.

In closing, I would like to say that for too many years now this kind of infiltration and corruption of a few of American labor unions by organized crime has placed an unacceptable burden on our working men and women. When union officials either look the other way, or as in some cases some unions actually encourage criminal elements, in effect, to make them an offer they cannot refuse, it is the worker who suffers, the reputation of the union that suffers and ultimately the cause of organized labor in this country that suffers.

[The indictments of Frank Gerace, Allen M. Dorfman, Raymond F. Lane, and Frank C. Marolda referred to, were marked "Exhibit No. 4," for reference, and are retained in the files of the subcommittee.]

I look forward to the day when the rank and file will rise up and throw out these corrupt union officials along with their underworld cohorts once and for all. I hope these hearings will help to make that happen.

At this time, we will call forward David Faulkner, who is a subcommittee staff investigator. Would you please raise your right hand?

Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. FAULKNER. I do.

Chairman ROTH. Please be seated and proceed with your statement.

TESTIMONY OF DAVID FAULKNER, STAFF INVESTIGATOR, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Mr. FAULKNER. Thank you, Mr. Chairman.

Today we will hear from Joseph Hauser regarding the involvement of organized crime in the multimillion dollar insurance plans of major international unions. Mr. Hauser's testimony will focus on his efforts to establish a corrupt insurance scheme within the Hotel Workers International Union through collusion with General President Ed Hanley, the current General Secretary-Treasurer Herman "Blackie" Leavitt, Chicago mob figure Tony Accardo, and others.

I would like to take a moment to put Mr. Hauser's activities into historical perspective.

In October and November 1977, this subcommittee conducted 11 days of hearings into Mr. Hauser's insurance business relationship with the Teamsters and Laborers' Unions.

Joe Hauser's insurance contract with the Teamsters Central States Fund was the result of an elaborate scheme using "fronting" insurance companies and the payment of financial inducements to influential persons in order to ensure union business. In the case of the Teamsters, Hauser paid former Attorney General Richard Kleindienst, a legal fee of $250,000 to intercede with then Teamsters President Frank Fitzsimmons on Hauser's behalf. As a result of this influence, as well as Hauser's agreement with the late Allen Dorfman regarding the processing of insurance claims, Hauser's company received the Central States business. Through similar methods Hauser was able to corruptly obtain union insurance business in all areas of this country with the exception of the Northwest.

In 1979, following his indictment, Joe Hauser agreed to cooperate with the Department of Justice in an effort to uncover other insurance benefit plan schemes. He has testified before numerous grand juries and in several criminal trials, most notably the recent prosecution in Florida of individuals associated with the Laborers International Union and organized crime.

In addition to the subcommittee hearings concerning Mr. Hauser's activities, the Permanent Subcommittee on Investigations also held hearings in 1977 on the severance fund life insurance plan schemes developed by Louis Ostrer. Mr. Ostrer was convicted in Miami, Florida in 1982 in a Federal trial where Mr. Hauser was a key government witness. The subcommittee, particularly through the earlier work of Senator Nunn and his staff, has also spent a significant amount of time reviewing the Central States Teamsters Pension Fund, and continues to do so today by monitoring the continued litigation involving this Fund.

The subcommittee has brought Mr. Hauser to Washington to testify because he has had extensive dealings with high ranking officials of the Hotel Workers Union, most notably Herman "Blackie" Leavitt, General Secretary-Treasurer of the International Union. Mr. Hauser has direct knowledge of payments which were made to Mr. Leavitt to acquire union insurance business.

Mr. Hauser will also testify as to the role of Al Pilotto, an associate of Chicago organized crime figure Tony Accardo, and a key figure in

the Laborers Union benefit schemes. Pilotto was convicted of embezzling union funds in Miami in 1982 based largely on Mr. Hauser's testimony. This subcommittee has been reviewing the dental plans for the Hotel Workers Union locals in Atlantic City and Las Vegas, and Al Pilotto's name has been linked to the plans in both areas.

In addition to the extensive record Mr. Hauser has established through testimony in Federal courts and grand juries, the subcommittee took the depositions of two of his former business associates, Linda Johnson and Mel Wyman, and a prominent Los Angeles labor leader, William Robertson. Miss Johnson in particular was able to corroborate payments made by Hauser to union leaders, and I would like to have all three depositions placed into today's hearing record.

Chairman ROTH. So ordered.

[The depositions referred to were marked "Exhibit No. 5," for reference, and may be found in the Appendix beginning on p. 145.]

Mr. FAULKNER. Mr. Hauser's testimony today also serves to focus attention on the need for a thorough examination of the Hotel Workers Union benefit plans.

The subcommittee has devoted considerable time and resources during the past 2 years to a review of these HEREIU benefit plans, which are generally divided into pension plans, health and welfare plans, and severance pay plans.

These plans generate huge sums of money mostly in the form of employer contributions which are negotiated in collective bargaining agreements. As a result, they have been shown to be magnets attracting organized crime and other criminal interests.

Mr. Chairman, our benefit plan inquiry is continuing, and will be the subject of future public hearings, most likely in June. The Atlantic City Local 54 dental plan has already been the subject of previous State and Federal investigations, mostly revolving around one individual—Larry Smith. Smith and his companies reportedly control many of the union benefit plans in the South Jersey area. In June 1982 this subcommittee received testimony indicating kickbacks from Smith to organized crime figures in the Philadelphia area. I would also point out that Smith was indicted in February 1983 for a conspiracy to defraud several union severance pay plans in this area, and I would like to have a copy of this indictment placed into the record.

Chairman ROTH. So ordered.

[The indictment of Lawrence Smith referred to was marked "Exhibit No. 6," for reference, and is retained in the files of the subcommittee.]

Mr. FAULKNER. Our review of the dental plan for Las Vegas Local 226, like the review of the local 54 plan, has concentrated on the many layers of administration which seem to precede the actual delivery of dental services, and the fees being paid out for these administrative services. In this regard, I would like to place a December 1981 article from the Detroit News in the record, entitled, "Operators of Union's Dental Plan Found to Have Some Mob Ties." This article discusses a major provider of closed dental plans, Dr. Charles Mitchell of Downer's Grove, Ill., a consultant to the Hotel Union's Las Vegas dental plan.

Chairman ROTH. So ordered.

[The newspaper article referred to follows:]

[From the Detroit News, Dec. 6, 1981]

Operators of Union Dental Plan Found to Have Some Mob Ties

(By Stephen Cain)

The operators of a multimillion-dollar dental plan treating tens of thousands of union members and their families in Detroit and across Michigan have documented ties to Chicago organized crime figures and their business associates, a Detroit News investigation has established.

Here and around the country, prepaid dental programs for unions are under scrutiny.

Federal investigators are trying to determine whether there is information that bears out their troubling suspicion that these programs and the even richer union medical programs are the newest prey of organized crime.

Indictments were handed down in Florida last June naming two top mobsters. Federal Bureau of Investigation, Labor Department, congressional and state probes of union dental programs are underway in a dozen states.

The huge Michigan Conference of Teamsters Joint Council 43, headquartered in Detroit, has been served for the last two years by a dental group where The News has traced ties linking two dentists with organized crime figures.

Another Michigan group of dental care providers, which serves Hotel and Restaurant Employees and Bartenders Local 24 in Detroit, has ties to individuals named in the Miami indictments.

The same dental program organizers used by the Teamsters also run a big dental program in Wisconsin for UAW workers at American Motors Corp. installations in Milwaukee, Racine, and Kenosha and are just about to tie down a contract to serve UAW workers in Flint and Saginaw.

The union leaders involved say they know nothing about any ties between the dentists and mob figures. They say their prepaid dental programs render good services to their members while protecting the financial integrity of their health and welfare funds, and they say they are well-satisfied.

However, they are deeply worried about the possible effects of the investigations under way.

Investigators believe that a portion of finders' fees, paid to persons who are able to line up unions for dental service providers, may sometimes be shared with organized crime. They also suspect that some of money taken off the top for administration ends up in the same pockets.

There are substantial sums involved. For example, a well-run plan for 10,000 union members can deliver reasonable care for less than that provided by conventional insurance, eliminate deductibles and co-payments, and still show a surplus of $20,000 to $30,000 a month.

The dental part of the union health and welfare pot got fat beginning in 1973, when the UAW broke through in negotiations with the Big Three automakers and won company-paid comprehensive dental care for hourly paid workers and their dependents.

Suddenly, dental became the hot new benefit for virtually every major union in the country. The work was initially done by private dentists who charged on a traditional fee-for-service basis. When the bills came in, the costs turned out to exceed the amounts set aside.

Teamsters Joint Council 43's $70-million-a-year health and welfare fund, for example, paid out $14 million more in dental and medical benefits last year than it took in through employer contributions—a situation that threatens either slashed benefits or eventual bankruptcy.

When the Teamsters and other unions were approached by dental service operators who said they would be willing to take care of their members for a flat fee per member within the amount negotiated with employers, it was looked at as a godsend.

When the News told local union leaders it had found that some of their godsent dental service providers have ties to organized figures, they said they had no knowledge of this. They registered dismay.

Teamster trustees and a top UAW official, without qualification, sing the praises of the dental plans. They say they genuinely believe their members get sold dental care at a cost that does not endanger the health and welfare funds.

UAW Secretary-Treasurer Ray Majerus says that one of his proudest accomplishments as a union official was getting a prepaid dental program into effect

for AMC workers in Wisconsin through Dr. Charles R. Mitchell, the man who organized the Michigan Teamsters program.

As UAW secretary-treasurer, in the top rank of the union, Majerus is pushing Dr. Mitchell, a Chicagoan, as the best man to run the GM dental programs in Saginaw and Flint—and then Ford, Chrysler and more GM programs elsewhere.

"Nobody else in the country is capable a delivering a large-scale dental program . . . the Blues and Delta couldn't," Majerus asserted. "I want him to survive."

Dr. Mitchell and his partner, Dr. Alan M. Stevens, also of Chicago, not only oversee dental care for about 40,000 Detroit area Teamsters and their families through Teamsters Joint Council 43, but they provide treatment for another 5,000 Detroit area residents through contracts with Ironworkers, Glassworkers and Asbestos Workers locals.

The News found that Drs. Mitchell and Stevens, the biggest operators of prepaid dental plans in the country, have connections with organized crime figures. Through such interlocking companies as Stratum Five International Associated Health Services (of Illinois) and Health Care Benefits Services, they serve about 200 union and employer groups.

One client is Amalgamated Insurance Services Agency Inc., which was founded by Chicagoan Allen M. Dorfman, who served nine months in prison in 1973 for receiving kickbacks on a Teamster pension fund loan. Federal investigators say Dorfman funneled millions of Teamsters Central States Pension Fund dollars into crime-controlled enterprises.

Dorfman and his stepfather, Al Capone cronie Paul "Red" Dorfman, helped finance Jimmy Hoffa's original takeover of the Teamsters. Allen Dorfman switched allegiance to Frank Fitzsimmons after Hoffa went to jail and then to current Teamster President Roy Williams.

Dorfman and Williams were indicted this summer on charges of conspiracy to bribe U.S. Sen. Howard Cannon of Nevada. They have not yet been tried.

The Michigan insurance commissioner revoked Dorfman's state insurance license on Sept. 15, 1959.

Mitchell and Stevens pay finders fees to former key Dorfman associate Robert S. Greenfield, as well as doing the dentistry for the five Chicago union locals recruited by Angelo T. Commito.

Commito, originally of Detroit but raised in Chicago, has had dealings on dental plans, according to sworn testimony, depositions and corporate records, with the following:

Convicted felon Mike Rizzitello of Los Angeles; Frank "Frankie Flowers" D'Alfonzo and Harry Riccobene of Philadelphia's Bruno family of organized crime; John Allu, who is related by marriage to New York City's Genovese family; Cleveland crime boss Jack "Jack White" Licavoli, and two associates of exiled New York crime chief Joseph Bonanno Sr., now of Tucson, Ariz.

Mob turncoat James Fratianno, who Federal agents say has brought them solid information about the inner working of the crime syndicates, has said that Commito is a rising star because the union dental programs are "so lucrative."

Commito, himself, is completing a two-year probation sentence following his conviction for failure to file federal income tax returns.

Greenfield, a retirement-age nonpracticing attorney, was an original incorporator of Dorfman's Amalgamated on May 18, 1956 and served as its president from 1957 through 1960. He was also a director of Dover Insurance Agency Ltd., another Dorfman company.

In the spring of 1974, Greenfield and James Cerone, second cousin of upper echelon Chicago mobster "Jackie the Lackey" Cerone, met with two associates of Joseph Bonanno to set up a Commito dental program for two Arizona Teamsters locals and the Tucson municipal employes union.

Dr. Mitchell was that program's dental consultant. Greenfield subsequently went to work for Mitchell and Stevens.

Greenfield's biggest coup was introducing Dr. Mitchell to the UAW's Majerus in 1977, and then helping the dentist obtain the UAW dental contracts in Wisconsin. Mitchell and Majerus said Greenfield's cut of that contract was 5 percent.

Dr. Mitchell acknowledged to the News that he and Stevens pay finders fees to anyone who introduces them to unions with whom they are able to sign contracts, good fees. Mitchell said his rule of thumb is to pay "up to 10 percent a year" for the life of the contract to the person who brings him business.

But the dentists insist they are only providers of dental benefits, and that they do not know what happens with the finders fees after they've paid them. There

is no evidence that they have paid off any crime figures or bribed any union officials.

Joint Council 43 President Robert Holmes Sr. and Secretary-Treasurer President C. R. "Bob" Coy—both health and welfare fund trustees—were asked if they know where the money goes after it is paid for dental care in their big program.

Coy answered, "We would have no idea in the world, and it is none of our business."

Both Holmes and Coy said their position is that they are satisfied in every way with their dental plan because it gives good care and saves a lot of money.

Based on interviews with Mitchell and others, here is a partial accounting of the Teamster dental dollars:

The fund's actual contractor, Chicagoan Edward J. Brown III's Delaware Professional Services Inc., paid about $330,000 a month for the dental work.

Brown pays $26,400 a month (8 percent) to Mitchell and Stevens for recruiting the Michigan dental groups doing the actual work on teeth, continually monitoring quality of care and performing most of the program's other administrative functions.

The dentist groups receive $247,500 a month (75 percent), out of which the cost of care is paid.

And Brown keeps the remaining $56,100 a month (17 percent), which Dr. Mitchell says include's Brown's finders fee plus payment for some administrative services.

Dorfman's Federal Computer Services Inc. is paid by the fund to maintain eligibility lists and other records, which gives him control over how much Brown and Mitchell are paid.

Brown says flatly that none of the Teamster dental money finds its way—either directly or indirectly—into the pockets of any unionists or mob figures.

Charles F. Collins, administrator of Joint Council 43's health and welfare fund, says he introduced Brown to Holmes and the other Teamsters trustees in Detroit.

Brown brought in Dr. Mitchell.

Collins attended a seminar for fund administrators at Stouffers Northland Inn about four or five years ago, about the time the Teamsters were worrying hard about the rising costs of dental care.

Brown organized and spoke at the seminar, and Collins said he was impressed. He said he thought Brown might have the answer the Teamster fund was looking for.

Collins and the fund's four trustees said they had a "confidential source" thoroughly investigate Brown and Drs. Mitchell and Stevens, that the Chicagoans were judged to be "clean" and that the fund signed the dental contract with Delaware after it submitted the lowest bid.

The background check on Dr. Mitchell was limited to him as a dentist, according to Coy, not to the doctor's non-dental associates. Coy said the report came back that Mitchell was a dentist of national repute.

Dr. Mitchell, a 44-year-old graduate of Marquette School of Dentistry, has served on the national board of directors of the Academy of General Dentistry and was president of its Illinois chapter. He was chairman of a segment on preventive dentistry for the American Dental Association's 1975 general meeting.

As to anything else, Coy said, "I don't give a damn who he's sleeping with."

Dr. Mitchell said he and Dr. Stevens got their start in prepaid group dentistry in Chicago in 1973 through Angelo Commito's company, Labor Health Plan, Inc.

Under their basic deal for the Chicago locals, which remains in effect today, Commito keeps 25 percent of the monthly dental fund and gives the other 75 percent to Stevens. Stevens' clinics treat some of the patients and he keeps money to cover that treatment; Stevens pays Mitchell for those union members the Mitchell clinics treat.

In the mid-1970s, according to civil suit depositions, Stevens received an estimated $672,000 a year for providing dental care while Commito kept $224,000.

Commito's partners in Labor Health Plans Inc. were Anthony Ponzio, whose brother married the daughter of the now-deceased Chicago mob bigwig Paul "The Waiter" Ricca, and millionaire Chicago plumbing contractor Leonard Fishman, who had $50,000 in one business whose associates included several of the Chicago underworld.

Fishman boasts of having "friends on both sides of the street—friends that are both straight and not so straight," according to a deposition.

One of those ties is to Dorfman, according to Pennsylvania Crime Commission testimony last July. Fishman last month said he no longer does business with Commito.

Commito could not be reached for comment.

Dr. Mitchell, in a June 1, 1977 deposition, admitted being warned by fellow dentists that Commito and Fishman "were syndicate or something" but was unable to find proof. Mitchell said he went ahead with the business relationship and also served as Commito's unpaid consultant on every dental plan Labor Health launched between 1973 and 1977.

Mr. Mitchell, who said his program has outgrown its roots, added that he and Stevens will be severing all ties with Commito on Jan. 1, 1982.

Dorfman did not return the many calls placed to his office by The News. Greenfield, who is recovering from open heart surgery, was unavailable for comment.

An unresolved problem of the Teamsters-Brown-Mitchell deal is that 60 percent of the covered Teamsters actually have shown up at the union clinics for treatment, half again higher than the 40 percent anticipated, Mitchell said.

That, Mitchell said, is causing a financial squeeze at the bottom, where the actual dental work is being done. But both Teamster Trustee Coy and Administrator Collins said they have had few complaints about the dental work.

The Detroit area dental programs, bartenders and hotel employees is delivered by Dr. Joseph Catarello, of suburban Chicago, and administrator John J. O'Connor, of Florida.

Before coming to Detroit on Jan. 1, 1980, for the Local 24 program, O'Connor spent seven years as administrator of Dental and Vision Care Centers in Florida, a company that a Miami federal grand jury indictment on June 4 charges was instrumental in helping divert an estimated $1 million from the Laborer's International Union health and welfare fund.

O'Connor was not accused of any criminality.

Named in the federal racketeering indictments in the Florida case were the following:

Laborer's Union President Angelo Fosco, Chicago crime boss Anthony Accardo, and Florida crime figure Santos Trafficante, Jr., the man who was supposed to assassinate Cuban Premier Fidel Castro for the CIA years ago.

Dr. Catarello according to Cook County (Chicago) court records, was a partner of Dr. Paul DiFranco, the only dentist indicted in the Miami case.

Herbert Triplett, secretary-treasurer of Local 24 in Detroit and an international vice-president, said he knows nothing of either Catarello's or O'Connor's backgrounds.

Added Triplett, "Their dental program is the best thing that has happened to this union in the 100 years it's been operating."

Neither Catarello nor O'Connor could be reached for comment.

What is just now beginning to attract the attention of federal and state investigators from coast to coast is what they see as the way programs in various states are connected, in terms of the people involved in them.

For example, O'Connor was an administrative consultant to Associated Health Services (of Indiana), a firm which was founded by two Chicago dentists to organize a program for Atlantic City Culinary Local 54.

New Jersey gaming officials are trying to kick Local 54 out of the casinos on the assertion that it is controlled by organized crime.

Meanwhile, New Jersey state investigators recently came across a federal surveillance report, which says one of the dentists is a friend of Chicago mobster Alfred Pilotto—another of those indicted in the Miami case.

Associated Health Services of Indiana had no direct relationship with the Mitchell-Stevens Illinois company of the same name.

Mr. FAULKNER. The subcommittee has also examined problem areas in Hotel Worker Union Locals in San Francisco, Miami, and Atlanta. During the course of these hearings we will discuss the imposition of a trusteeship and other problems in San Francisco Local 2.

Tomorrow the Permanent Subcommittee on Investigations will also receive testimony concerning local 355 in Miami, another of the larger HEREIU locals, which has allegedly been plagued by poor leadership, organized crime infiltration, and problems with benefit plans.

Chairman ROTH. Thank you, Mr. Faulkner. I want to publicly express my appreciation for your work with this subcommittee over the last few years. I regret from our personal standpoint that you will be returning to the FBI but will continue to push this project in your absence.

Let me ask you a couple of brief questions. Do you believe enough has been done to police the Hotel Workers Union?

Mr. FAULKNER. First, let me say I appreciate the remarks and thank you very much. I would say that there are areas for improvement obviously in the policing of labor unions, particularly the Hotel Workers.

However, I would say that one area that probably has not received enough attention is management's role in the control of these unions. You find that the apparent tendency for management to reach accommodations with the union to avoid union problems and labor problems.

One area that this has been manifested is in their trustees that are appointed to benefit plans.

Chairman ROTH. Management trustees?

Mr. FAULKNER. Management trustees, yes, sir. They are supposed to have an equal voice in the control of these funds. Obviously under ERISA, this is a requirement of the law. But I think our investigation will continue and will show that they really are lax in this area and it is because they often do not want to experience labor problems. So, in effect, the union trustees run the benefit plans.

Chairman ROTH. So they, in effect, are saying there is some reason to believe that management has been dominated or has put in people that would not challenge?

Mr. FAULKNER. Yes, I think another area that will be evident and is going to require some Federal legislation in order to look into these unions in a proper manner, is the method with which individuals such as the current administration of the International Hotel Workers are allowed to dominate the members and have almost autocratic control over the plans, the full spectrum of the unions activities.

Chairman ROTH. I want to emphasize again that these unions which have these corrupt elements are the exception to the general rule and we want the record to be clear that most unions have responsible people heading them. I would like to go into one other area.

Of course, we have examined a number of local hotel workers. Some of them we emphasized in these hearings and others we have not. Could you explain the staff's objective in selecting and studying those?

Mr. FAULKNER. We were looking into areas obviously where there was a significant membership within the local in that area. And also where we had information through various sources of certain problems existing in the local. It could be organized crime infiltration, it could be the imposition of seemingly arbitrary trusteeships and emergencies on the part of the international and the domination of these locals in various forms by the international.

This obviously results in their control of the funds that are generated through these locals and also results in their control of the people that are going to be delegates to their conventions—starts at

the bottom with these locals and works its way right through the top of the international.

Chairman ROTH. Thank you very much, Mr. Faulkner, for your helpful testimony.

At this time, I will call forward Mr. William Fleming, an FBI Special Agent currently assigned to Los Angeles.

Mr. Fleming, will you please raise your right hand? Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. FLEMING. Yes, sir, I do.

Chairman ROTH. Please be seated and proceed with your testimony.

Mr. WEILAND. Mr. Chairman, if I may make a preliminary remark, we have asked the Bureau to furnish Mr. Fleming this morning primarily for the purpose of introducing the next witness, Mr. Hauser and I have asked Mr. Fleming to just give some preliminary remarks and to trace, if he will, Hauser's history of cooperation with the Government and what actually brought him into the arms of the FBI, so to speak.

TESTIMONY OF WILLIAM FLEMING, SPECIAL AGENT, FEDERAL BUREAU OF INVESTIGATION

Mr. FLEMING. Yes, sir. I have been a member of the FBI for a little over 14 years. I am assigned to the Los Angeles Division of the FBI at this time.

[At this time, Senator Rudman entered the hearing room.]

Mr. FLEMING. Again, I am here at the request of the subcommittee to provide background information on Hauser's cooperation with the U.S. Government.

Our office in Los Angeles opened an investigation in late 1972, 1973 on allegations of kickback to union officials, worked under the Welfare Pension Plan Disclosure Act. This investigation caused an indictment and ultimate conviction of Joseph Hauser and he was sentenced to 30 months on this particular charge.

In late 1976, while this first charge was on appeal and before he goes to prison, the FBI again opened another investigation of Hauser's activities in Florida, Arizona, and Louisiana. This investigation, which was my case, was ultimately indicted in Arizona and on February 9, 1979, Joseph Hauser pleaded guilty per plea agreement, in return for any cooperation he provided the Government being brought up at sentencing.

Chairman ROTH. Please proceed.

Mr. FLEMING. Shortly after this, Hauser began cooperating with us and was debriefed and it appeared that perhaps we could utilize him in an undercover capacity with FBI agents. This proposal was put forth to the Bureau and they authorized us to open an undercover insurance consulting store front in Beverly Hills, California, in which Hauser and three FBI agents were placed to begin an investigation into illegal activities and contacting people that Hauser had paid off in the past.

The undercover operation lasted approximately one year, starting at approximately March 22, 1979 and running into some time in Febru-

ary 1980. These matters were—and we traveled, this matter traveled into various parts of the United States and Hauser was brought, ultimately brought into various Grand Juries across the Nation and these matters were indicted. The first matter concerned the Speaker of the House of the State of Texas and two attorneys. There was a jury trial and they were acquitted.

The second trial in the Brilab Project concerned Carlos Marcello, organized crime figure in New Orleans, Louisiana, and Charles Rohmer, Director, Administration for the State of Louisiana who were convicted of these charges by jury trial there.

[At this time, Senator Roth left the hearing room.]

Mr. FLEMING. The next trial during the Brilab Project was in Los Angeles, California and concerned Carlos Marcello, again, in a conspiracy to bribe a Federal District Court Judge, along with Samuel Orlando Sciortino, the underboss in Los Angeles and Phillip Rizzuto, an associate of Marcello.

These three gentlemen were convicted in Los Angeles. The next trial was in Houston, Texas, of the Port Commissioner and an Oprating Engineer Union Official and they were convicted.

The next trial was in—this did not concern the undercover Brilab Project, but Hauser testified in a trial in Miami, Florida, against Alfred Pilotto and 10 others, 8 of which were convicted in Miami.

I think that pretty well wraps it up. There are several more trials that I am not at liberty to discuss now. But that brings us pretty well up to date on the trials that we have been through on this matter.

Senator RUDMAN. Counsel will have a question for you and then I think we will conclude your testimony.

Mr. WEILAND. Thank you, Mr. Fleming.

It is our understanding that Mr. Hauser's formal method of raising money for payoffs and kickbacks was by the method of simply writing checks to himself on one of his companies or to cash or to one of his employees.

Mr. FLEMING. Yes, sir. That is correct.

Mr. WEILAND. Is that correct?

Mr. FLEMING. Yes, sir.

Mr. WEILAND. Can you tell us what amounts of money we are talking about, generally?

Mr. FLEMING. Are we talking about Mr. Hauser or talking about the Brilab Project? Or are we talking about a lot of hundreds of thousands of dollars paid to various officials over a period of years?

Mr. WEILAND. Hundreds of thousands?

Mr. FLEMING. Yes, sir.

Mr. WEILAND. Mr. Chairman, I have with me this morning, a set of charts which were furnished to the subcommittee by the Justice Department over the years, which trace some of the money involved in Hauser's companies and I would like to introduce those as a group exhibit at this time.

Senator RUDMAN. Without objection, they will be entered into the record.

[The charts referred to was marked "Exhibit No. 7," for reference, and follow:]

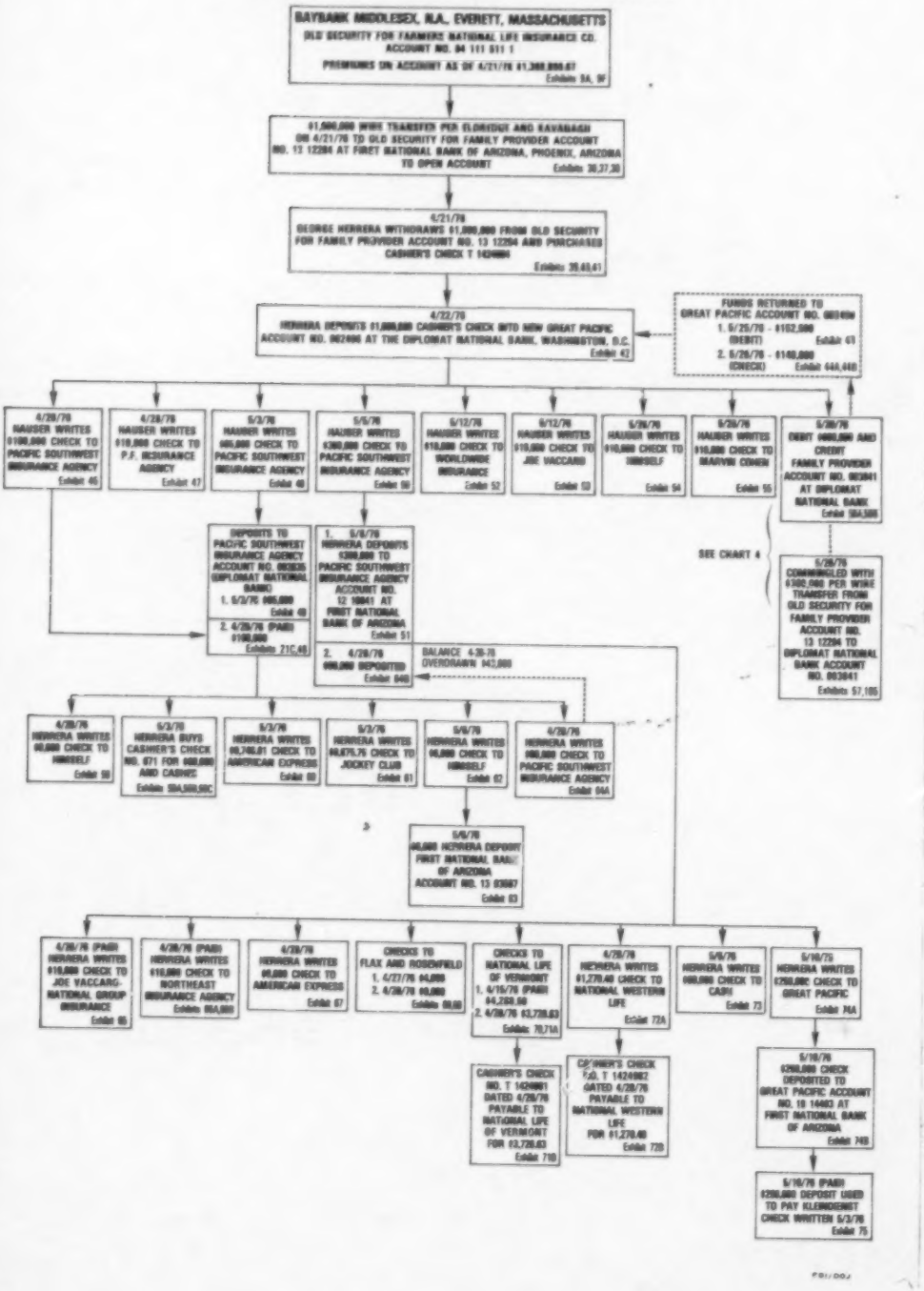
EXHIBIT NO. 7

CHART 1

COUNTS I II III IV

CONVERSION OF FUNDS

MASSACHUSETTS LABORERS' HEALTH AND WELFARE FUND


BAYBANK MIDDLESEX, N.A., EVERETT, MASSACHUSETTS
OLD SECURITY FOR FARMERS NATIONAL LIFE INSURANCE CO. ACCOUNT NO. 04 111 011 1
PREMIUMS ON ACCOUNT AS OF 4/21/76 $1,360,000.67
Exhibits 9A, 9F
$1,500,000 WIRE TRANSFER PER FLORIDIST AND SAVANNAH ON 4/21/76 TO OLD SECURITY FOR FAMILY PROVIDER ACCOUNT NO. 13 12294 AT FIRST NATIONAL BANK OF ARIZONA, PHOENIX, ARIZONA TO OPEN ACCOUNT
Exhibits 30,37,38
4/21/76
GEORGE HERRERA WITHDRAWS $1,000,000 FROM OLD SECURITY FOR FAMILY PROVIDER ACCOUNT NO. 13 12294 AND PURCHASES CASHIER'S CHECK T 1424984
Exhibits 39,40,41
4/22/76
HERRERA DEPOSITS $1,000,000 CASHIER'S CHECK INTO NEW GREAT PACIFIC ACCOUNT NO. 002496 AT THE DIPLOMAT NATIONAL BANK, WASHINGTON, D.C.
Exhibit 42
FUNDS RETURNED TO GREAT PACIFIC ACCOUNT NO. 002496
1. 5/25/76 - $102,000 (DEBIT) Exhibit 61
2. 5/26/76 - $140,000 (CHECK) Exhibit 44A,44B
4/29/76 HAUSER WRITES $100,000 CHECK TO PACIFIC SOUTHWEST INSURANCE AGENCY Exhibit 46
4/29/76 HAUSER WRITES $10,000 CHECK TO P.F. INSURANCE AGENCY Exhibit 47
5/3/76 HAUSER WRITES $85,000 CHECK TO PACIFIC SOUTHWEST INSURANCE AGENCY Exhibit 48
5/5/76 HAUSER WRITES $360,000 CHECK TO PACIFIC SOUTHWEST INSURANCE AGENCY Exhibit 50
5/12/76 HAUSER WRITES $10,000 CHECK TO WORLDWIDE INSURANCE Exhibit 52
5/12/76 HAUSER WRITES $10,000 CHECK TO JOE VACCARO Exhibit 53
5/26/76 HAUSER WRITES $10,000 CHECK TO HIMSELF Exhibit 54
5/26/76 HAUSER WRITES $10,000 CHECK TO MARVIN COHEN Exhibit 55
5/26/76 DEBIT $460,000 AND CREDIT FAMILY PROVIDER ACCOUNT NO. 003841 AT DIPLOMAT NATIONAL BANK Exhibit 56A,56B
SEE CHART 4
DEPOSITS TO PACIFIC SOUTHWEST INSURANCE AGENCY ACCOUNT NO. 003635 DIPLOMAT NATIONAL BANK
1. 5/3/76 $85,000 Exhibit 49
2. 4/29/76 (PAID) $100,000 Exhibits 21C,46
1. 5/5/76 HERRERA DEPOSITS $360,000 TO PACIFIC SOUTHWEST INSURANCE AGENCY ACCOUNT NO. 12 10841 AT FIRST NATIONAL BANK OF ARIZONA Exhibit 51
2. 4/29/76 $90,000 DEPOSITED Exhibit 54B
BALANCE 4-30-76 OVERDRAWN $42,000
5/26/76 COMMINGLED WITH $302,000 PER WIRE TRANSFER FROM OLD SECURITY FOR FAMILY PROVIDER ACCOUNT NO. 13 12294 TO DIPLOMAT NATIONAL BANK ACCOUNT NO. 003841 Exhibits 57,10S
4/29/76 HERRERA WRITES $5,000 CHECK TO HIMSELF Exhibit 58
5/3/76 HERRERA BUYS CASHIER'S CHECK NO. 671 FOR $60,000 AND CASH Exhibits 59A,59B,59C
5/3/76 HERRERA WRITES $9,740.01 CHECK TO AMERICAN EXPRESS Exhibit 60
5/3/76 HERRERA WRITES $9,875.76 CHECK TO JOCKEY CLUB Exhibit 61
5/6/76 HERRERA WRITES $5,000 CHECK TO HIMSELF Exhibit 62
4/29/76 HERRERA WRITES $60,000 CHECK TO PACIFIC SOUTHWEST INSURANCE AGENCY Exhibit 64A
5/6/76 $5,000 HERRERA DEPOSIT FIRST NATIONAL BANK OF ARIZONA ACCOUNT NO. 13 03687 Exhibit 63
4/30/76 (PAID) HERRERA WRITES $10,000 CHECK TO JOE VACCARO NATIONAL GROUP INSURANCE Exhibit 65
4/29/76 (PAID) HERRERA WRITES $10,000 CHECK TO NORTHEAST INSURANCE AGENCY Exhibits 66A,66B
4/29/76 HERRERA WRITES $5,000 CHECK TO AMERICAN EXPRESS Exhibit 67
CHECKS TO FLAX AND ROSENFIELD
1. 4/27/76 $4,000
2. 4/29/76 $5,000
Exhibits 69,69
CHECKS TO NATIONAL LIFE OF VERMONT
1. 4/15/76 (PAID) $4,293.60
2. 4/29/76 $3,726.63
Exhibits 70,71A
4/29/76 HERRERA WRITES $1,270.40 CHECK TO NATIONAL WESTERN LIFE Exhibit 72A
5/5/76 HERRERA WRITES $60,000 CHECK TO CASH Exhibit 73
5/10/76 HERRERA WRITES $250,000 CHECK TO GREAT PACIFIC Exhibit 74A
CASHIER'S CHECK NO. T 1424981 DATED 4/29/76 PAYABLE TO NATIONAL LIFE OF VERMONT FOR $3,726.63 Exhibit 71B
CASHIER'S CHECK T-SL T 1424982 DATED 4/29/76 PAYABLE TO NATIONAL WESTERN LIFE FOR $1,270.40 Exhibit 72B
5/10/76 $250,000 CHECK DEPOSITED TO GREAT PACIFIC ACCOUNT NO. 19 14462 AT FIRST NATIONAL BANK OF ARIZONA Exhibit 74B
5/10/76 (PAID) $250,000 DEPOSIT USED TO PAY KLEINDIENST CHECK WRITTEN 5/3/76 Exhibit 75

FBI/DOJ

CHART 2
COUNTS I II V VI

CONVERSION OF FUNDS
CENTRAL STATES TEAMSTERS HEALTH & WELFARE FUND

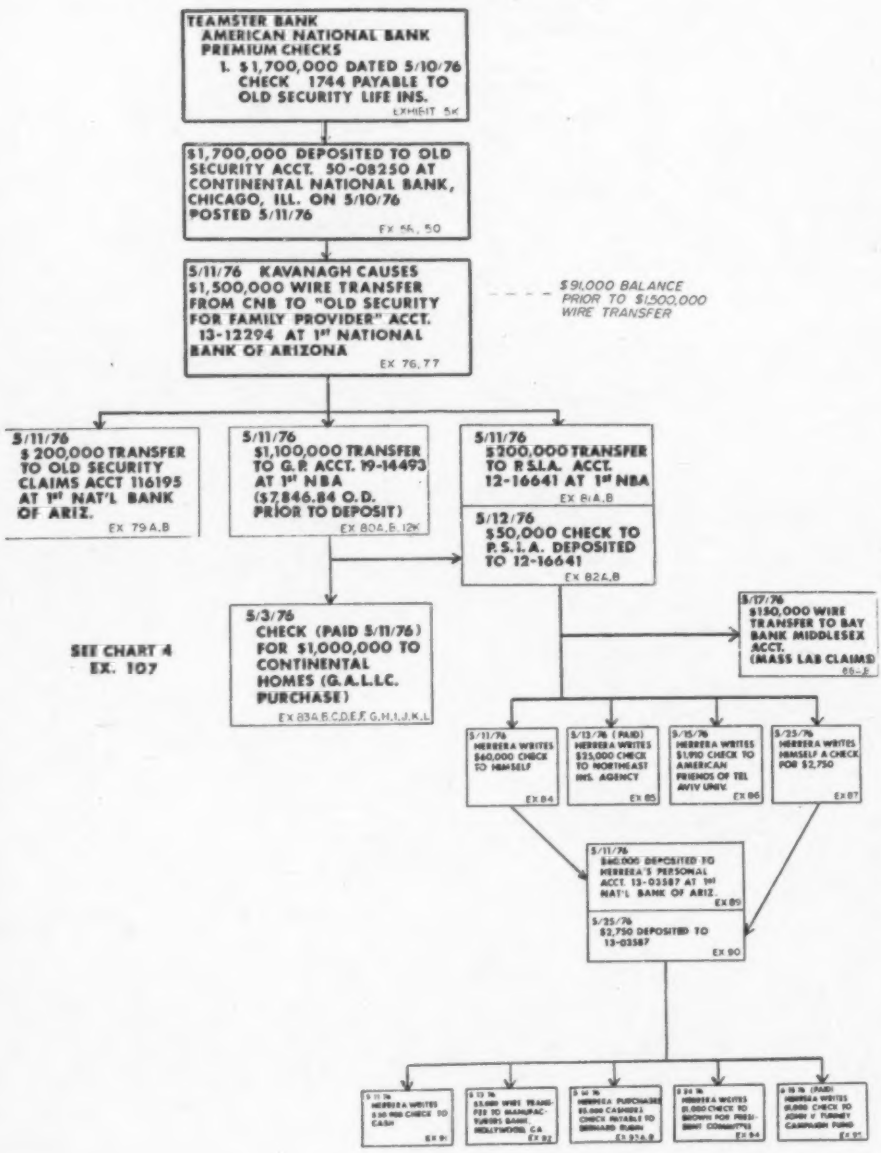

TEAMSTER BANK
AMERICAN NATIONAL BANK
PREMIUM CHECKS
1. $1,700,000 DATED 5/10/76 CHECK 1744 PAYABLE TO OLD SECURITY LIFE INS.
EXHIBIT 5K
$1,700,000 DEPOSITED TO OLD SECURITY ACCT. 50-08250 AT CONTINENTAL NATIONAL BANK, CHICAGO, ILL. ON 5/10/76 POSTED 5/11/76
EX 55, 50
5/11/76 KAVANAGH CAUSES $1,500,000 WIRE TRANSFER FROM CNB TO "OLD SECURITY FOR FAMILY PROVIDER" ACCT. 13-12294 AT 1ST NATIONAL BANK OF ARIZONA
EX 76, 77
$91,000 BALANCE PRIOR TO $1,500,000 WIRE TRANSFER
5/11/76 $ 200,000 TRANSFER TO OLD SECURITY CLAIMS ACCT 116195 AT 1ST NAT'L BANK OF ARIZ.
EX 79A,B
5/11/76 $1,100,000 TRANSFER TO G.P. ACCT. 19-14493 AT 1ST NBA ($7,846.84 O.D. PRIOR TO DEPOSIT)
EX 80A,B,12K
5/11/76 $200,000 TRANSFER TO P.S.I.A. ACCT. 12-16641 AT 1ST NBA
EX 81A,B
5/12/76 $50,000 CHECK TO P.S.I.A. DEPOSITED TO 12-16641
EX 82A,B
5/3/76 CHECK (PAID 5/11/76) FOR $1,000,000 TO CONTINENTAL HOMES (G.A.L.L.C. PURCHASE)
EX 83A,B,C,D,E,F,G,H,I,J,K,L
SEE CHART 4 EX. 107
5/17/76 $150,000 WIRE TRANSFER TO BAY BANK MIDDLESEX ACCT. (MASS LAB CLAIMS)
EX 86-F
5/11/76 HERRERA WRITES $60,000 CHECK TO HIMSELF
EX 84
5/13/76 (PAID) HERRERA WRITES $25,000 CHECK TO NORTHEAST INS. AGENCY
EX 85
5/15/76 HERRERA WRITES $1,910 CHECK TO AMERICAN FRIENDS OF TEL AVIV UNIV.
EX 86
5/25/76 HERRERA WRITES HIMSELF A CHECK FOR $2,750
EX 87
5/11/76 $60,000 DEPOSITED TO HERRERA'S PERSONAL ACCT. 13-03587 AT 1ST NAT'L BANK OF ARIZ.
EX 89
5/25/76 $2,750 DEPOSITED TO 13-03587
EX 90
5/11/76 HERRERA WRITES $50,900 CHECK TO CASH
EX 91
5/13/76 $5,000 WIRE TRANSFER TO MANUFACTURERS BANK HOLLYWOOD, CA
EX 92
5/14/76 HERRERA PURCHASES $5,000 CASHIER'S CHECK PAYABLE TO BERNARD RUBIN
EX 93A,B
5/24/76 HERRERA WRITES $1,000 CHECK TO BROWN FOR PRESIDENT COMMITTEE
EX 94
6/15/76 (PAID) HERRERA WRITES $1,000 CHECK TO JOHN V. TUNNEY CAMPAIGN FUND
EX 95

CHART 3
COUNTS I II VII VIII IX

CONVERSION OF FUNDS

ARIZONA LABORERS, TEAMSTERS & CEMENT MASONS HEALTH & WELFARE FUND

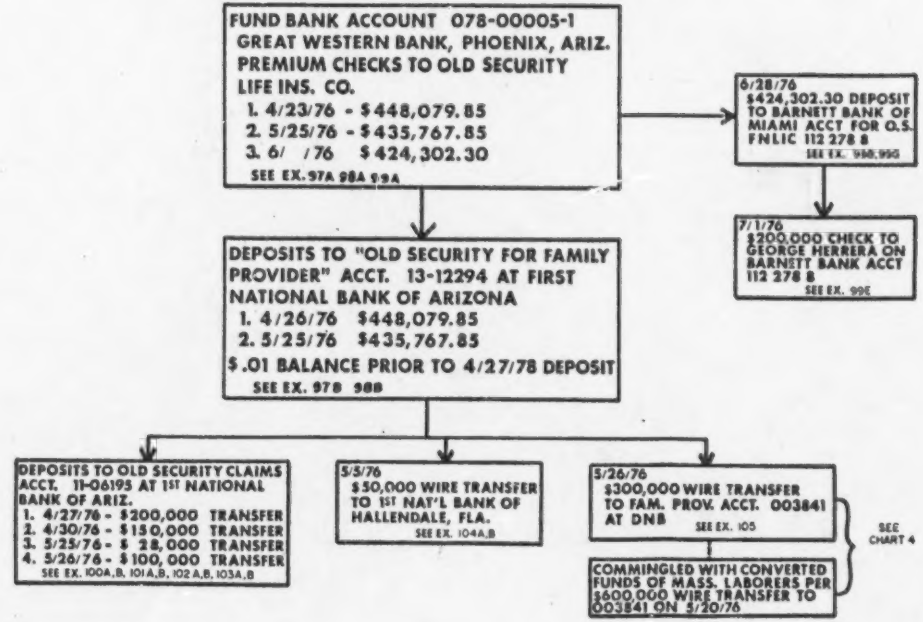

FUND BANK ACCOUNT 078-00005-1
GREAT WESTERN BANK, PHOENIX, ARIZ.
PREMIUM CHECKS TO OLD SECURITY LIFE INS. CO.
1. 4/23/76 - $448,079.85
2. 5/25/76 - $435,767.85
3. 6/ /76 $424,302.30
SEE EX. 97A 98A 99A
6/28/76
$424,302.30 DEPOSIT TO BARNETT BANK OF MIAMI ACCT FOR O.S. FNLIC 112 278 8
SEE EX. 99B,99G
7/1/76
$200,000 CHECK TO GEORGE HERRERA ON BARNETT BANK ACCT 112 278 8
SEE EX. 99E
DEPOSITS TO "OLD SECURITY FOR FAMILY PROVIDER" ACCT. 13-12294 AT FIRST NATIONAL BANK OF ARIZONA
1. 4/26/76 $448,079.85
2. 5/25/76 $435,767.85
$.01 BALANCE PRIOR TO 4/27/78 DEPOSIT
SEE EX. 97B 98B
DEPOSITS TO OLD SECURITY CLAIMS ACCT. 11-06195 AT 1ST NATIONAL BANK OF ARIZ.
1. 4/27/76 - $200,000 TRANSFER
2. 4/30/76 - $150,000 TRANSFER
3. 5/25/76 - $ 28,000 TRANSFER
4. 5/26/76 - $100,000 TRANSFER
SEE EX. 100A,B, 101A,B, 102A,B, 103A,B
5/5/76
$50,000 WIRE TRANSFER TO 1ST NAT'L BANK OF HALLENDALE, FLA.
SEE EX. 104A,B
5/26/76
$300,000 WIRE TRANSFER TO FAM. PROV. ACCT. 003841 AT DNB
SEE EX. 105
COMMINGLED WITH CONVERTED FUNDS OF MASS. LABORERS PER $600,000 WIRE TRANSFER TO 003841 ON 5/20/76
SEE CHART 4

CHART 4

COUNTS I II IV VI VII

FURTHER DISBURSEMENTS

COMMINGLING OF HEALTH AND WELFARE AND PENSION FUNDS FROM

1. ARIZONA LABORERS', TEAMSTERS' AND CEMENT MASONS' HEALTH AND WELFARE FUND
2. MASSACHUSETTS LABORERS' HEALTH AND WELFARE FUND
3. CENTRAL STATES TEAMSTERS' HEALTH AND WELFARE FUND
4. SOUTHEAST FLORIDA LABORERS' DISTRICT COUNCIL PENSION FUND

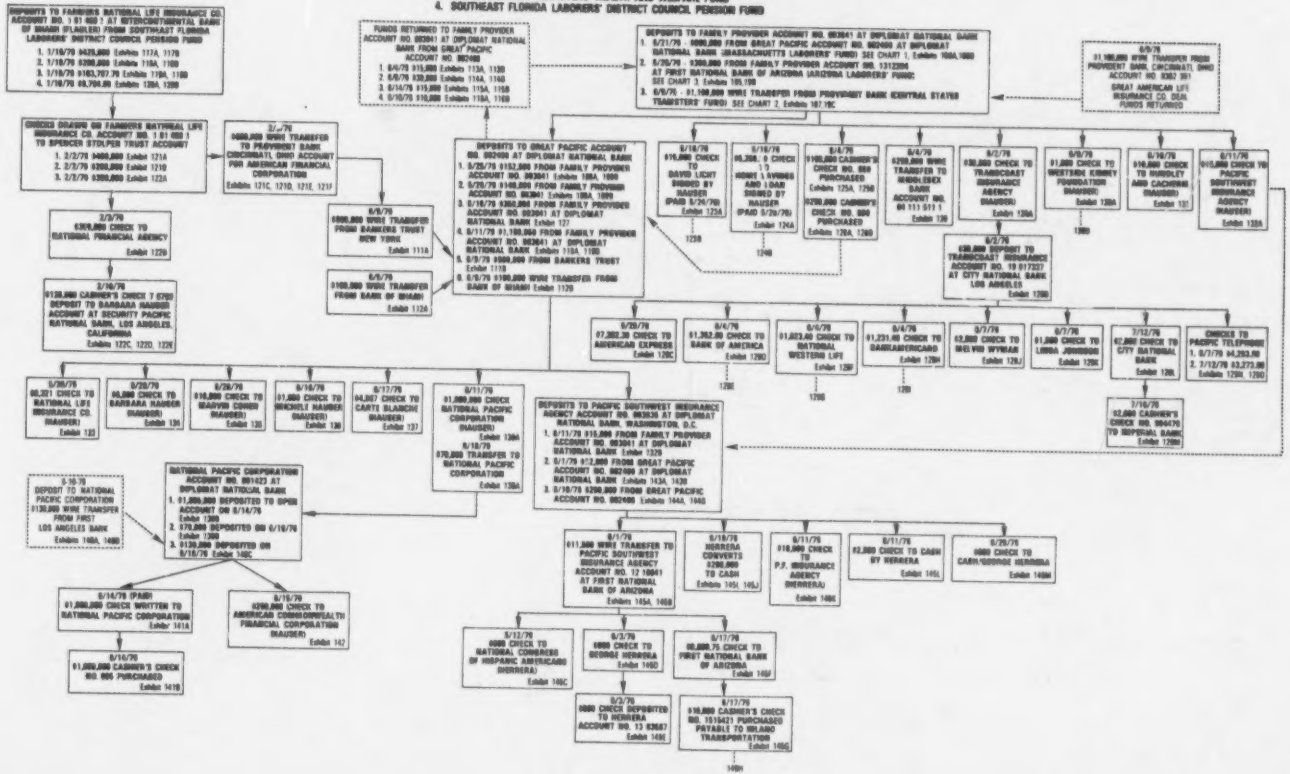
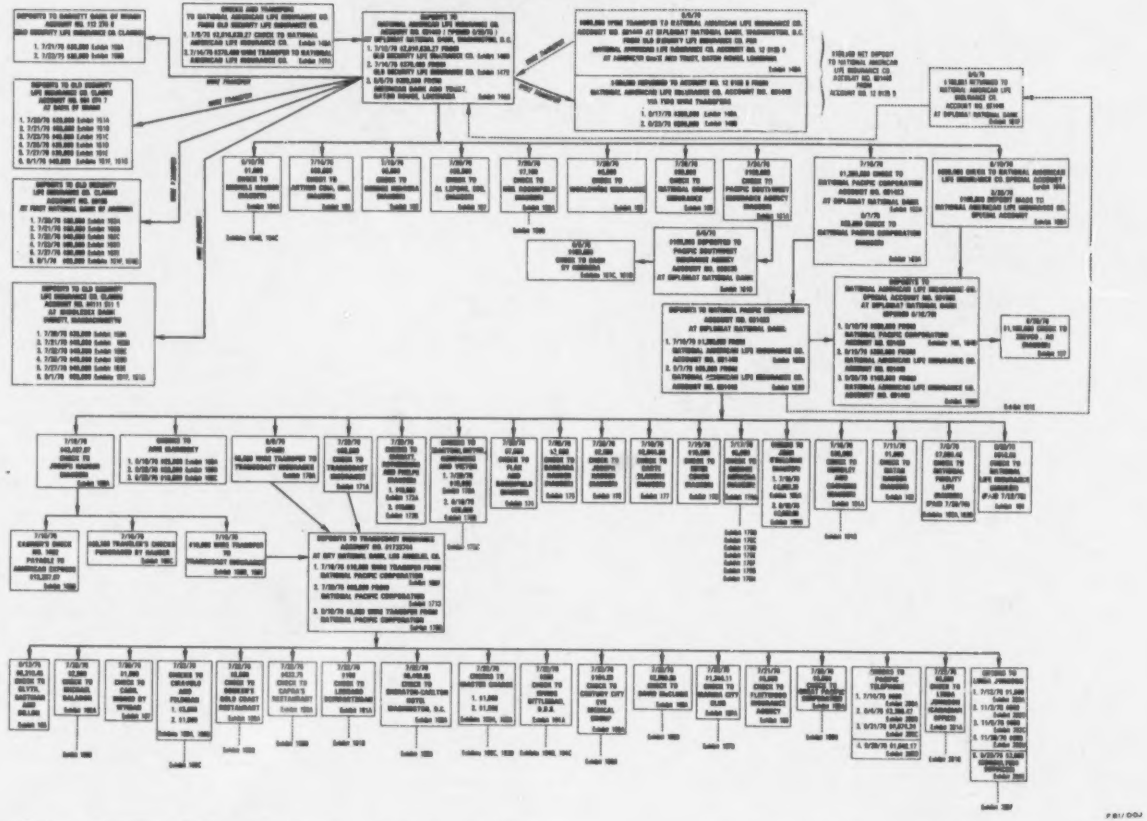
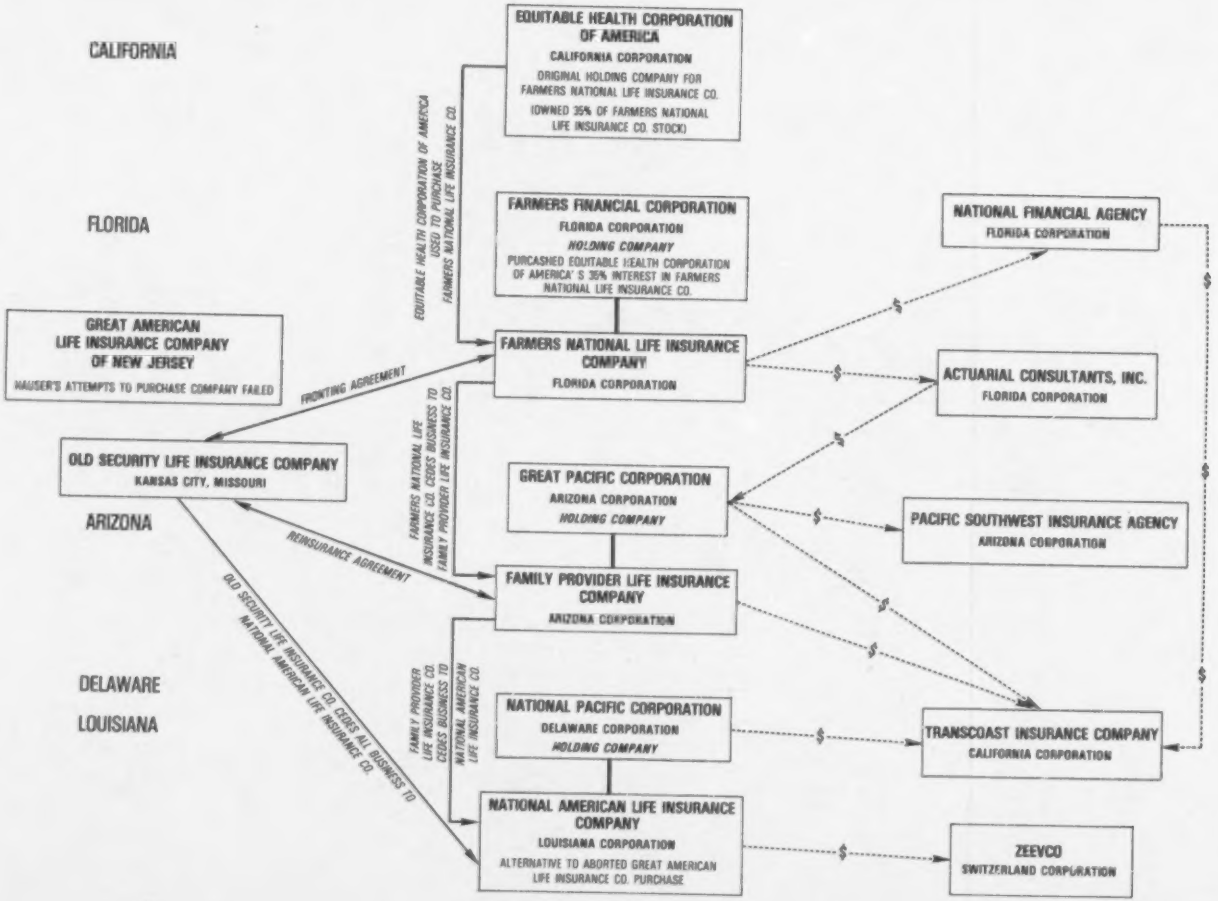

DEPOSITS TO FARMERS NATIONAL LIFE INSURANCE CO. ACCOUNT NO. 1 01 603 1 AT INTERCONTINENTAL BANK OF MIAMI (FLA.BLE) FROM SOUTHEAST FLORIDA LABORERS' DISTRICT COUNCIL PENSION FUND
1. 1/10/70 $425,000 Exhibits 117A, 117B
2. 1/19/70 $200,000 Exhibits 118A, 118B
3. 1/19/70 $183,707.79 Exhibits 119A, 119B
4. 1/19/70 $8,700.00 Exhibits 120A, 120B
CHECKS DRAWN ON FARMERS NATIONAL LIFE INSURANCE CO. ACCOUNT NO. 1 01 603 1 TO SPENCER STOLPER TRUST ACCOUNT
1. 2/2/70 $400,000 Exhibit 121A
2. 2/2/70 $200,000 Exhibit 121B
3. 2/2/70 $300,000 Exhibit 123A
2/2/70 $399,000 CHECK TO NATIONAL FINANCIAL AGENCY Exhibit 122B
2/10/70 $139,000 CASHIER'S CHECK 7 $760 DEPOSIT TO BARBARA HAUSER ACCOUNT AT SECURITY PACIFIC NATIONAL BANK, LOS ANGELES, CALIFORNIA Exhibits 122C, 122D, 122E
2/_/70 $600,000 WIRE TRANSFER TO PROVIDENT BANK CINCINNATI, OHIO ACCOUNT FOR AMERICAN FINANCIAL CORPORATION Exhibits 121C, 121D, 121E, 121F
6/5/70 $500,000 WIRE TRANSFER FROM BANKERS TRUST NEW YORK Exhibit 111A
6/5/70 $100,000 WIRE TRANSFER FROM BANK OF MIAMI Exhibit 112A
FUNDS RETURNED TO FAMILY PROVIDER ACCOUNT NO. 083041 AT DIPLOMAT NATIONAL BANK FROM GREAT PACIFIC ACCOUNT NO. 082499
1. 8/4/70 $15,000 Exhibits 113A, 113B
2. 8/6/70 $20,000 Exhibits 114A, 114B
3. 8/14/70 $15,000 Exhibits 115A, 115B
4. 8/18/70 $10,000 Exhibits 116A, 116B
DEPOSITS TO FAMILY PROVIDER ACCOUNT NO. 083041 AT DIPLOMAT NATIONAL BANK
1. 8/21/70 $200,000 FROM GREAT PACIFIC ACCOUNT NO. 082499 AT DIPLOMAT NATIONAL BANK (MASSACHUSETTS LABORERS' FUND) SEE CHART 1, Exhibits 108A, 108B
2. 8/25/70 $300,000 FROM FAMILY PROVIDER ACCOUNT NO. 1312286 AT FIRST NATIONAL BANK OF ARIZONA (ARIZONA LABORERS' FUND) SEE CHART 3 Exhibits 105, 106
3. 8/6/70 - $1,100,000 WIRE TRANSFER FROM PROVIDENT BANK (CENTRAL STATES TEAMSTERS' FUND) SEE CHART 2, Exhibits 107, 110C
8/6/70 $1,100,000 WIRE TRANSFER FROM PROVIDENT BANK, CINCINNATI, OHIO ACCOUNT NO. 9382 361 GREAT AMERICAN LIFE INSURANCE CO. DEAL FUNDS RETURNED
DEPOSITS TO GREAT PACIFIC ACCOUNT NO. 082499 AT DIPLOMAT NATIONAL BANK
1. 5/25/70 $152,500 FROM FAMILY PROVIDER ACCOUNT NO. 083041 Exhibits 108A, 108B
2. 5/29/70 $140,000 FROM FAMILY PROVIDER ACCOUNT NO. 083041 Exhibits 109A, 109B
3. 6/10/70 $350,000 FROM FAMILY PROVIDER ACCOUNT NO. 083041 AT DIPLOMAT NATIONAL BANK Exhibit 127
4. 6/11/70 $1,100,000 FROM FAMILY PROVIDER ACCOUNT NO. 083041 AT DIPLOMAT NATIONAL BANK Exhibits 110A, 110B
5. 6/5/70 $500,000 FROM BANKERS TRUST Exhibit 111B
6. 6/5/70 $100,000 WIRE TRANSFER FROM BANK OF MIAMI Exhibit 112B
6/10/70 $15,000 CHECK TO DAVID LICHT SIGNED BY BAUSER (PAID 6/24/70) Exhibit 125A
1238
6/10/70 $5,300.0 CHECK TO HENRY LAVENDER AND I DAN SIGNED BY BAUSER (PAID 6/29/70) Exhibit 124A
1240
6/4/70 $100,000 CASHIER'S CHECK NO. 600 PURCHASED Exhibits 125A, 125B
$200,000 CASHIER'S CHECK NO. 000 PURCHASED Exhibits 126A, 126B
6/4/70 $200,000 WIRE TRANSFER TO MIDDLESEX BANK ACCOUNT NO. 04 111 511 1 Exhibit 130
6/2/70 $30,000 CHECK TO TRANSOCEAN AGENCY (BAUSER) Exhibit 135A
6/2/70 $30,000 DEPOSIT TO TRANSOCEAN INSURANCE ACCOUNT NO. 19 917227 AT CITY NATIONAL BANK LOS ANGELES Exhibit 129B
6/5/70 $1,000 CHECK TO WESTERN KIDNEY FOUNDATION (BAUSER) Exhibit 136A
1260
6/10/70 $10,000 CHECK TO HURDLEY AND CACHIRAS (BAUSER) Exhibit 137
6/11/70 $15,000 CHECK TO PACIFIC SOUTHWEST INSURANCE AGENCY (BAUSER) Exhibit 138A
6/23/70 $7,302.30 CHECK TO AMERICAN EXPRESS Exhibit 128C
6/4/70 $1,362.80 CHECK TO BANK OF AMERICA Exhibit 129D
1280
6/5/70 $1,823.40 CHECK TO NATIONAL WESTERN LIFE Exhibit 129E
1290
6/4/70 $1,231.40 CHECK TO BANKAMERICARD Exhibit 129H
1270
6/7/70 $2,000 CHECK TO MELVIN WYMAN Exhibit 129J
6/7/70 $1,000 CHECK TO LINDA JOHNSON Exhibit 129K
7/12/70 $2,000 CHECK TO CITY NATIONAL BANK Exhibit 129L
7/10/70 $2,000 CASHIER'S CHECK NO. 9941/70 TO IMPERIAL BANK Exhibit 129M
CHECKS TO PACIFIC TELEPHONE
1. 6/7/70 $4,263.90
2. 7/12/70 $3,273.80
Exhibits 129N, 129O
5/30/70 $8,321 CHECK TO NATIONAL LIFE INSURANCE CO. (BAUSER) Exhibit 133
5/29/70 $5,000 CHECK TO BARBARA HAUSER (BAUSER) Exhibit 134
5/29/70 $10,000 CHECK TO MARVIN COHEN (BAUSER) Exhibit 135
5/19/70 $1,000 CHECK TO MICHELT HAUSER (BAUSER) Exhibit 136
5/17/70 $4,267 CHECK TO CARTE BLANCHE (BAUSER) Exhibit 137
6/11/70 $1,000,000 CHECK NATIONAL PACIFIC CORPORATION (BAUSER) Exhibit 139A
6/18/70 $70,000 TRANSFER TO NATIONAL PACIFIC CORPORATION Exhibit 139A
DEPOSITS TO PACIFIC SOUTHWEST INSURANCE AGENCY ACCOUNT NO. 083835 AT DIPLOMAT NATIONAL BANK, WASHINGTON, D.C.
1. 6/11/70 $15,000 FROM FAMILY PROVIDER ACCOUNT NO. 083041 AT DIPLOMAT NATIONAL BANK Exhibit 132B
2. 6/1/70 $12,000 FROM GREAT PACIFIC ACCOUNT NO. 082499 AT DIPLOMAT NATIONAL BANK Exhibits 143A, 143B
3. 6/18/70 $200,000 FROM GREAT PACIFIC ACCOUNT NO. 082499 Exhibits 144A, 144B
6/18/70 DEPOSIT TO NATIONAL PACIFIC CORPORATION $130,000 WIRE TRANSFER FROM FIRST LOS ANGELES BANK Exhibits 140A, 140B
NATIONAL PACIFIC CORPORATION ACCOUNT NO. 001423 AT DIPLOMAT NATIONAL BANK
1. $1,000,000 DEPOSITED TO SPER ACCOUNT ON 6/18/70 Exhibit 139D
2. $70,000 DEPOSITED ON 6/18/70 Exhibit 139D
3. $130,000 DEPOSITED ON 6/18/70 Exhibit 140C
6/14/70 (PART) $1,000,000 CHECK WRITTEN TO NATIONAL PACIFIC CORPORATION Exhibit 141A
6/16/70 $1,000,000 CASHIER'S CHECK NO. 005 PURCHASED Exhibit 141B
6/15/70 $200,000 CHECK TO AMERICAN COMMONWEALTH FINANCIAL CORPORATION (BAUSER) Exhibit 142
6/1/70 $11,000 WIRE TRANSFER TO PACIFIC SOUTHWEST INSURANCE AGENCY ACCOUNT NO. 12 10041 AT FIRST NATIONAL BANK OF ARIZONA Exhibits 145A, 145B
6/18/70 HERRERA CONVERTS $200,000 TO CASH Exhibits 145I, 145J
6/11/70 $10,000 CHECK TO P.F. INSURANCE AGENCY (HERRERA) Exhibit 146I
6/11/70 $2,500 CHECK TO CASH BY HERRERA Exhibit 145L
6/20/70 $500 CHECK TO CASH/GEORGE HERRERA Exhibit 146M
5/12/70 $500 CHECK TO NATIONAL CONGRESS OF HISPANIC AMERICANS (HERRERA) Exhibit 146C
6/3/70 $500 CHECK TO GEORGE HERRERA Exhibit 146D
6/17/70 $2,500.75 CHECK TO FIRST NATIONAL BANK OF ARIZONA Exhibit 146F
6/3/70 $500 CHECK DEPOSITED TO HERRERA ACCOUNT NO. 13 63667 Exhibit 146E
6/17/70 $10,000 CASHIER'S CHECK NO. 1519421 PURCHASED PAYABLE TO MIRAMO TRANSPORTATION Exhibit 146G
146H

CHART 5

CONVERSIONS OF FUNDS

CENTRAL STATES TEAMSTERS' HEALTH AND WELFARE FUND
SUBSEQUENT TO NATIONAL AMERICAN LIFE INSURANCE COMPANY PURCHASE




CALIFORNIA
FLORIDA
ARIZONA
DELAWARE
LOUISIANA
EQUITABLE HEALTH CORPORATION OF AMERICA
CALIFORNIA CORPORATION
ORIGINAL HOLDING COMPANY FOR FARMERS NATIONAL LIFE INSURANCE CO.
(OWNED 35% OF FARMERS NATIONAL LIFE INSURANCE CO. STOCK)
EQUITABLE HEALTH CORPORATION OF AMERICA USED TO PURCHASE FARMERS NATIONAL LIFE INSURANCE CO.
FARMERS FINANCIAL CORPORATION
FLORIDA CORPORATION
HOLDING COMPANY
PURCASHED EQUITABLE HEALTH CORPORATION OF AMERICA' S 35% INTEREST IN FARMERS NATIONAL LIFE INSURANCE CO.
NATIONAL FINANCIAL AGENCY
FLORIDA CORPORATION
GREAT AMERICAN LIFE INSURANCE COMPANY OF NEW JERSEY
HAUSER'S ATTEMPTS TO PURCHASE COMPANY FAILED
FRONTING AGREEMENT
FARMERS NATIONAL LIFE INSURANCE COMPANY
FLORIDA CORPORATION
ACTUARIAL CONSULTANTS, INC.
FLORIDA CORPORATION
OLD SECURITY LIFE INSURANCE COMPANY
KANSAS CITY, MISSOURI
FARMERS NATIONAL LIFE INSURANCE CO. CEDES BUSINESS TO FAMILY PROVIDER LIFE INSURANCE CO.
GREAT PACIFIC CORPORATION
ARIZONA CORPORATION
HOLDING COMPANY
PACIFIC SOUTHWEST INSURANCE AGENCY
ARIZONA CORPORATION
REINSURANCE AGREEMENT
FAMILY PROVIDER LIFE INSURANCE COMPANY
ARIZONA CORPORATION
OLD SECURITY LIFE INSURANCE CO. CEDES ALL BUSINESS TO NATIONAL AMERICAN LIFE INSURANCE CO.
FAMILY PROVIDER LIFE INSURANCE CO. CEDES BUSINESS TO NATIONAL AMERICAN LIFE INSURANCE CO.
NATIONAL PACIFIC CORPORATION
DELAWARE CORPORATION
HOLDING COMPANY
TRANSCOAST INSURANCE COMPANY
CALIFORNIA CORPORATION
NATIONAL AMERICAN LIFE INSURANCE COMPANY
LOUISIANA CORPORATION
ALTERNATIVE TO ABORTED GREAT AMERICAN LIFE INSURANCE CO. PURCHASE
ZEEVCO
SWITZERLAND CORPORATION

Senator RUDMAN. Thank you very much for your cooperation and appearance before the subcommittee.

We will now ask that the hearing room be cleared. The next witness is a protected witness, whose identity must be concealed. We will go in a short recess to clear the room of all spectators and press.

[Member present at the time of recess, Senator Rudman.]

[Brief recess.]

[Members present at recommencement of hearing, Senators Roth and Rudman.]

Chairman ROTH. Mr. Hauser, under the rules of the subcommittee, all witnesses will be sworn in and we will not ask you to stand, but would you please raise your right hand? Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HAUSER. I do.

Chairman ROTH. Mr. Hauser, will you please proceed with your prepared statement?

TESTIMONY OF JOSEPH HAUSER, FEDERALLY PROTECTED WITNESS

Mr. HAUSER. Yes. Thank you, Mr. Chairman.

My name is Joseph Hauser and I make the following statement under penalty of perjury.

I will relate my association with various officers of the Hotel Employees and Restaurant Employees International Union and some of their organized crime associates.

Chairman ROTH. Would you please speak up so that you can be heard?

Mr. HAUSER. Allow me to briefly explain my background. I am currently under the protection of the U.S. Marshal's Service following my cooperation with the FBI and the Department of Justice since early 1979.

From approximately 1965 to 1976, I operated insurance companies involved—

Chairman ROTH. Would you please yield, because you cannot be understood.

I would point out that the microphone is garbled for the purposes of radio, but it is not supposed to be garbled for the purposes of those here.

Please proceed.

Mr. HAUSER. Do I start at the inception?

Chairman ROTH. Yes. Why don't you.

Mr. HAUSER. My name is Joseph Hauser and I make the following statement under the penalty of perjury. I will relate my association with various officers of the Hotel Employees and Restaurant Employees International Union and some of their organized crime associates.

Allow me to briefly explain my background. I am currently under the protection of the U.S. Marshal's Service following my cooperation with the FBI and Department of Justice since early 1979.

From approximately 1965 to 1974 I operated insurance companies involved in individual life insurance and prepaid health insurance for labor unions in the Los Angeles area. These firms included American Medicare Foundation, National Prepaid Health, Equitable Health, and Statewide Insurance Agency, all operating out of Los Angeles, California.

In October 1973 I moved my base of operations to Florida, largely due to an FBI investigation of my activities in Los Angeles. Once in Florida I purchased Farmers National Life Insurance Corporation, Inc., licensed to do business in Florida and five other States including Arizona.

In 1975 two associates of mine succeeded in obtaining a reinsurance contract from Old Security Life Insurance Company of Kansas City, Missouri. This contract allowed Farmers National to go into States where Old Security had a license to sell insurance and write business on their policies. This is known as a fronting agreement, wherein Old Security was fronting for Farmers National.

Using Old Security as a front I obtained, through bribery and influence, peddling the insurance business of the Laborers, Teamsters and other unions in Arizona, Indiana, Massachusetts, Hawaii, Alabama, Rhode Island, Florida, and many other States.

In late 1975, an associate of mine, John Boden, relocated in California and formed Great Pacific Corporation, a holding company, which in turn purchased Family Provider, a small Arizona based insurance company. With Old Security fronting for Family Provider, I obtained the Teamsters Central States Health and Welfare Fund business amounting to almost $24 million yearly in premiums.

On June 15, 1976, I purchased National American Life Insurance Company, a Louisiana corporation authorized to sell insurance in most States. This purchase was arranged by Richard Kleindienst of Arizona and Washington, D.C., and was financed in part by Carlos Marcello of Louisiana. My associates in these companies were primarily Linda Johnson, John Boden, Mel Wyman, George Herrera and Brian Kavanagh. At one point my companies were doing $180 million a year in premiums.

In March 1977 I was convicted of offering bribes to several Los Angeles area union officials in return for their influence in having various union trust funds award insurance contracts to my firms from 1972 to 1974. In 1979 I pled guilty in Tucson, Arizona to similar charges.

I was indicted in June of 1978, and after much contemplating and some soul searching, I began cooperating with Special Agent Bill Fleming of the FBI in Los Angeles. I regenerated an insurance business with FBI partners in a government undercover operation known as Brilab. I have testified in Federal grand juries as well as Federal and State trials in California, Arizona, Florida, Louisiana, Texas, and Massachusetts and other States. At least 15 individuals have been convicted on a variety of charges relating to the mismanagement and corruption of union insurance funds, State insurance contracts and bribery of public officials. Those convicted included union officials, organized crime figures and public officials. All convictions have been directly related to my testimony and the evidence gathered by the FBI during the period of 1974 to February 1980.

During the period from 1965 to 1974, the most influential labor union people in the Los Angeles area were Joe Benfatti, deceased associate of organized crime figures, Herman "Blackie" Leavitt, then head of the Los Angeles area locals of the Hotel Workers Union, John Cinquimani of the Building Trades Union, Sig Arowitz, Secretary-Treasurer of the Los Angeles County Federation of Labor and William Robertson, head of a Hotel Workers local in the San Fernando Valley. Robertson succeeded Sig Arowitz as head of the Labor Federation in 1975.

During the period of the late 1960's and early 1970's Arowitz, Robertson and Leavitt spent a great deal of time in my office. Leavitt was an especially frequent visitor during 1972 and 1973 when he was dating my secretary, Miriam Perry, whom he eventually married. At one point, around 1972 or 1973, both Robertson's son, Bill, Jr., and Leavitt's brother, Julius, were on the payroll of one of my companies.

During the early 1970's Blackie Leavitt and John Cinquimani were involved with Bernard Rapoport, president of American Income Life Insurance Company of Waco, Texas, in arranging union business for Rapoport's company. Cinquimani was hired as a consultant and Leavitt would pinpoint unions and arrange introductions between American Life representatives and the union people. John Cinquimani's daughter Carol worked for Rapoport's company and would funnel payoff money from the company to union people whom she knew at the time. On occasion during this period, payoffs of these funds were made to Leavitt in my office, in addition to other locations such as the Bistro Restaurant in Los Angeles.

To illustrate Mr. Leavitt's influence, I would mention that when attorney Sidney Korshak came from Chicago to Los Angeles, Blackie Leavitt told me he was designated to introduce Korshak to the right people and open all the doors for him. Organized crime leader Tony Accardo, whom I have known for many years as Joe Batters, told me on several occasions, that he had sent Korshak to Los Angeles to represent the mob there. Since then, Mr. Korshak has become well known as a labor consultant in Las Vegas and Los Angeles. I do not need to tell this subcommittee who Sidney Korshak is.

Mr. WEILAND. Mr. Chairman, if I could interrupt there, we have corresponded with Mr. Korshak and his attorney in seeking his testimony, and they have informed us that if he appeared he would invoke his fifth amendment privilege.

[The correspondence referred to follows:]

U.S. SENATE,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
Washington, D.C., January 14, 1983.

SIDNEY KORSHAK, Esq.,
West Washington Street,
Chicago, Ill.

DEAR MR. KORSHAK: The Senate Permanent Subcommittee on Investigations is currently conducting a review of activities and transactions involving the Hotel Employees and Restaurant Employees International Union (HEREIU) and some of its affiliated locals. To address some of the issues confronting the Subcommittee, it may be necessary to obtain sworn testimony from individuals such as yourself who, we believe may be able to assist the Subcommittee in its inquiry. Specifically, we are interested in obtaining information from you concerning:

1. The operation of certain facets of the International Union;

2. The operation of HEREIU Local 11 (Los Angeles) and its predecessor locals; and

3. The operation of the HEREIU Health and Welfare Trust Fund, including your knowledge of conduct associated with employee benefit plans, particularly any illegal payments, or diversion of funds.

The letter is designed to serve as a mechanism to determine your availability as a witness and willingness to be interviewed or testify without resort to service of compulsory process. A response to this letter should indicate one of the following:

1. You will consent to an interview or testify voluntarily; or
2. You will voluntarily testify, but require that a subpoena be issued; or
3. You will not provide testimony, with or without a subpoena, based upon some constitutional or statutory privilege.

It is requested that you or your counsel provide a written response by February 1, 1983. In the absence of any response to this letter, the Subcommittee would then be compelled to consider whether to issue a subpoena in order to secure your testimony.

Should you or your counsel have any questions concerning this matter, please contact me or Howard Shapiro, Staff Counsel at 202/224-3721.

Sincerely,

S. CASS WEILAND, *Chief Counsel.*

SILETS AND MARTIN, LTD., ATTORNEYS AT LAW,
THE MARQUETTE BUILDING,
Chicago, Ill., January 18, 1983.

Re Sidney Korshak.

Mr. S. CASS WEILAND,
Chief Counsel, U.S. Senate, Committee on Governmental Affairs, Senate Permanent Subcommittee on Investigations, Washington, D.C.

DEAR MR. WEILAND: We wish to acknowledge receipt of your letter of January 14, 1983 to Mr. Korshak concerning your Subcommittee's current investigation into the activities and transactions of the Hotel Employees and Restaurant Employees International Union.

After consultation with Mr. Korshak and a careful review of the contents of your letter, we wish to advise you, on behalf of Mr. Korshak, that he will not provide testimony, with or without a subpoena, based upon his constitutional privilege against self-incrimination.

If you have any further questions concerning the foregoing, please do not hesitate to get in touch with me.

Very truly yours,

SILETS AND MARTIN, LTD.,
By HARVEY M. SILETS.

Mr. HAUSER. May I continue?

Chairman ROTH. Please proceed.

Thank you, Mr. Weiland.

Mr. HAUSER. From about 1966 to 1973 I paid Blackie Leavitt several thousand dollars in cash. In return for the money, Leavitt introduced me to a number of union officials from various trades, such as the auto workers, in addition to those of the hotel workers union whom he controlled. I would either pay Blackie directly in my office or I would give the money to someone acting as a "bag man" for Leavitt. In either case, I would have Linda Johnson, George Herrera, or someone else in my office go to the bank and cash a check, then give the cash to me and I made the payment directly. Leavitt's introductions helped generate at least 75 percent of my business. I was given the health and welfare insurance for Hotel Workers locals in Pasadena and San Pedro and obtained membership lists of numerous locals which allowed me to solicit life insurance business through direct mailings. Blackie Leavitt told the locals to give their endorsements to the mailings and in some cases to arrange for dues checkoffs to pay

for the premiums. Additionally, through these payoffs to Mr. Leavitt, I had arranged to get all of the Hotel Workers Union business in Los Angeles County but the FBI told the management trustees that I was to be indicted and the deal fell through. Thereafter I moved my operation to Florida.

In addition to the money I paid to Mr. Leavitt, which I previously described, I also made many trips with him to the racetrack and to Las Vegas. Mr. Leavitt was very close to Marge Everett, the owner of Hollywood Park, and he certainly had the run of the place. According to Leavitt, this influence came through Sidney Korshak with whom Mrs. Everett has had contact in the past. Most of the checks I cashed at the track were okayed by Johnny Beverly, head of the Jockey Association at that time.

Our travel to Las Vegas was both business and social. Mr. Leavitt and I usually stayed at the Dunes; however, we received complementary accommodations wherever we went in Vegas. Occasionally others would travel to Las Vegas to pick up money for Blackie from various hotels such as the Dunes. The late Sid Wyman, one of the principle owners of the Dunes, gave Bill Robertson money in my presence and said, "Give this to Blackie." I cashed thousands of dollars worth of checks in both places and gave the money to Mr. Leavitt to gamble. I am also aware that Nate and Al's Deli in Beverly Hills, was paying Mr. Leavitt regularly for a "sweetheart" labor contract. Nicky Blair, who owned a place on Sunset of the same name, asked me to help him with Blackie Leavitt. Blair told me, Leavitt had threatened that if he did not pay off, his place would be blown up. I went to Leavitt as requested, but there was such a big difference between the amount he demanded and what Nicky would pay there was nothing I could do. Thereafter Nicky Blairs' was blown up.

Mr. Leavitt's influence extended well beyond Los Angeles and into the hierarchy of the Hotel Workers International. Moreover, he had significant organized crime contacts. He was a regional vice president of the International, and both San Diego and Las Vegas were in his territory. On one occasion I was with Mr. Leavitt in San Diego when we met at Mr. A's restaurant with Joe LiMandri, a member of organized crime and an official of the Hotel Workers San Diego Local. Through Mr. Leavitt I also met organized crime figures Freddy Sicca and Chris Petti. Petti, who operates in San Diego and Los Angeles, is a close associate of Chicago mob figure Tony Spilotro of Las Vegas. Mr. Leavitt wanted me to take care of Petti and Sicca—that is, find a source of income for them.

I attended a reception at the Stadium Club in Los Angeles. This was an occasion, Mr. Chairman, honoring the Man of the Year for the Blind. That was the occasion. I am just telling you what the occasion was. It is not written in this statement.

Also in attendance was Sidney Korshak, Blackie Leavitt and Al Bramlet, then head of the Hotel Workers Local 226 in Las Vegas. During the evening, Mr. Leavitt and Mr. Bramlet became engaged in a heated discussion regarding the Health and Welfare Trust Funds of the Las Vegas Local. Mr. Leavitt told Mr. Bramlet that "Chicago had instructed Hanley"—Ed Hanley, general-president of Hotel Workers International—to bring Bramlet's funds into the international. The

term "Chicago" referred, of course, to Accardo and the mob. Mr. Leavitt said that, "Hanley is up against the wall and wants you—Bramlet—to do it." Mr. Bramlet adamantly refused to agree to a merger and at one point Sidney Korshak said something like, "You know something Mr. Bramlet, I would listen to Mr. Leavitt, he makes a lot of sense." At another point, Mr. Leavitt told Mr. Bramlet not to give him "any shit" about the Las Vegas casino owners as he, Leavitt, had them lined up. Bramlet became very upset, saying that Mr. Leavitt had "screwed" him enough as he was supposed to "get 30 percent" and was only "getting 5 percent". I understood Bramlet to mean that he was to get 30 percent of the money being kicked back in Las Vegas and was only getting 5 percent. I recall that Mr. Bramlet ripped off the ascot he was wearing and asserted that the funds would only go to the international over his "dead body." Mr. Leavitt responded, "You'll be six feet under the desert if this is not done."

Another time, Mr. Leavitt told Bramlet that he could have Schmoutey elected secretary-treasurer of local 226 in 24 hours and Bramlet would be out. He meant, of course, Ben Schmoutey, then president of the Las Vegas local. Al Bramlet was murdered in the Las Vegas desert in 1977.

At this time, I would like to point out that, following Mr. Ed Hanley's takeover of the Hotel Workers International, I believe he and Mr. Leavitt, acting at the instruction of Chicago organized crime bosses, undertook steps to get the funds of various locals under international control. They were concerned about how to control the money, what kinds of loans to make which would look good and still allow them to get money under the table. In order to get locals around the country to comply it was important that the international get control of the funds of what was at that time the largest Hotel Workers local in the country, Las Vegas. It was also Mr. Leavitt's idea to use the international's authority to merge locals and put them into trusteeship to achieve these aims. Mr. Leavitt told me once that "they had to control certain locals because they must have people to answer the phone who would do what they were told." The Laborers Union uses the same tactic, that is, mergers and trusteeship, to control locals. Al Pilotto, an officer of the Laborers International, is also a Chicago organized crime associate of Aiuppa and Accardo, and the Hotel Workers have used this same technique as the Laborers.

In 1973 Mel Wyman and I met with several officials of the Hotel Workers International in Minneapolis. The purpose of the meeting was to lay the groundwork for me to get the union insurance business throughout the country over a period of time. Through Mr. Leavitt I met Ed Hanley, general president, and regional officials, including the late Myra Wolfgang of Detroit and Herbert "Pinky" Schiffman of Miami.

Ed Hanley told me that the people in Chicago had told him about me and that I would be getting a lot of business when I got my national company. Mr. Hanley and Mr. Leavitt were to arrange for me to get the Detroit and Miami business first. After the meeting, which Mel Wyman did not attend, we—Hauser, Hanley, Leavitt and Schiffman—joined Mel at the bar. Mr. Leavitt and I discussed the payoffs, and Mr. Leavitt said that we would do it as he had in the past; he would "take

care of Ed and Pinky." Mr. Hanley emphasized that the "Chicago mob was involved here" and had to be taken care of. I told him there would be millions in premiums, enough for all. Over the next several months I met with Mr. Hanley and Mr. Leavitt in Los Angeles four or five more times to discuss the best method of setting up the deal. Mr. Hanley wanted to set up an agency as a front and Bill Robertson's son was mentioned to head the agency. I also met with Myra Wolfgang in Detroit and Pinky Schiffman in Miami regarding their locals' insurance business.

It was during this period that Pinky was in legal trouble in Atlanta, 1975. Once, I gave him $1,500 cash, and another time, I had Linda Johnson cash a check for $5,000 which I gave to Pinky. During this same period I had Brian Kavanaugh meet with Florida Administrators who administered the Miami local's insurance plan. Pinky had told me that Arnold Grossman—head of the Florida Administrators—was taking care of him and he had heard from Blackie that I would do better. The bottom line was that we were supposed to take over all the Hotel Worker insurance plans in Florida.

In late 1975 or early 1976, I met with Al Pilotto and Tony Accardo in Chicago to discuss setting up a plan for me to reinsure union dental plans. The way this worked is that if union members went to the union's dental clinic they received 100 percent coverage. However, if they went to their own dentist the union paid 80 percent and the member 20 percent. My company would insure the unions' 80 percent liability with the union paying the premiums. Around this time, Pilotto and Dan Milano of Consultants and Administrators, a Chicago dental administrator working with Pilotto and the Laborers Union, traveled to Las Vegas to see Al Bramlet to arrange for Consultants and Administrators to get the Las Vegas Hotel Workers business.

In early 1974 I had a meeting with Santos Trafficante, Sal Tricario and John Giardello at Bern's Restaurant in Tampa, Florida, for the purpose of arranging for insurance business for my company.

In the summer of 1975 I met with Trafficante, Bernie Rubin, and George Waugenaux to arrange loans from my company to build a jockey club in Tampa.

At that meeting, Trafficante told me that he would get the Miami hotel trust money into my company. He said that his man to do the job was Hotel Union officer Al Gonzalez from Tampa who handled Miami for him. I told him that when you dealt with the Hotel Workers you had to go through Chicago. Trafficante said no, that Al had the connections and would handle it for him.

During the mid to late 1970's, Louis Ostrer was doing business with the Hotel Workers through his insurance company, Foundation Life Insurance of New Jersey. I believe Mr. Ostrer had been convicted in the early seventies of stock manipulation along with labor racketeer and organized crime figure John Dioguardi, also known as Johnny Dio. Mr. Ostrer's insurance license was revoked by the State of New York. He has since been convicted of other charges relating to corruption of union insurance funds. Of course, Mr. Ostrer was also the subject of hearings held by this subcommittee in 1977. At one point Ed Hanley told me that Ostrer was on a 50–50 basis with them, that is he was kicking back half of his commission. This conversation occurred

at the Carriage House Apartments in Miami. Tony Salerno and Bernie Rubin told me the same thing. Hence, I was pressured to work with Mr. Ostrer in setting up this insurance scheme with the Hotel Workers International. Lou Ostrer told me he was making payments directly to Ed Hanley, Blackie Leavitt and others. I always refused to work with Ostrer.

In late 1979 I had one of my many meetings with Carlos Marcello in New Orleans. We had previously discussed arranging for all of the insurance business of several major international unions. On this occasion Marcello said he needed 30 more days to complete arrangements. He said "I will get the No. 1 guy"—mob leader, Tony Accardo—and travel with you to other cities to write all the insurance business for the Teamsters, Longshoremen, Laborers, and Hotel Workers.

This trip did not occur as I was placed in the custody of the attorney general before it could be arranged. Here, I would like to again state that during this period I was cooperating fully with the FBI.

In April of 1976 John Boden and I were trying to arrange to get the Teamsters Central States insurance business through Richard Kleindienst, personal attorney to the Teamster boss, Frank Fitzsimmons. Individually or together, Boden and I met several times with Mr. Kleindienst in Arizona, Washington, D.C. and Chicago. At one meeting between Mr. Boden and Mr. Kleindienst in Washington, D.C., Mr. Kleindienst asked who would administer the claims. Kleindienst was concerned about administering the claims and writing the add-on insurance business which was very lucrative. Mr. Kleindienst strongly urged that we use Allen Dorfman. When Mr. Boden told me of this I told him I did not want to do business with Mr. Dorfman. I know that Tony Accardo hated Mr. Dorfman though Mr. Dorfman was very close to Joey Aiuppa and Jacky Cerone.

At a later meeting, which I attended, Mr. Kleindienst had a call placed to Allen Dorfman in Chicago and arranged for Dorfman's Amalgamated Insurance Co. to handle the claims administration.

I was thereafter, contacted by Mr. Dorfman and it became clear that, in order to get the Teamster business, I would have to let Mr. Dorfman in on it.

A couple of days after this meeting, we reached an agreement in Chicago and the trustees of the Central States Health and Welfare Fund awarded the contract to Old Security. For this I paid Mr. Kleindienst $250,000 in fees. This situation was the subject of a previous subcommittee hearing in October 1977. I declined to testify at those proceedings; however, my former associate, John Boden, did testify regarding our meetings with Mr. Kleindienst.

During this period of time, it was arranged for Mr. Dorfman to get a percentage of any individual life insurance business I wrote on the Hotel Workers Union members. I was forced to agree to this because of Mr. Dorfman's close association to Joey Aiuppa of Chicago. Aiuppa and Accardo continue to exert great influence over the union and its president, Ed Hanley.

In closing my prepared remarks, I would like to say that I have had a long history of working in the area of life insurance and prepaid health plans as they relate to labor unions. These unions include the Teamsters, Laborers, and Hotel Workers in all geographic areas

of this country, with the exception of the Northwest. During this period I have dealt with numerous union officials and public figures, as well as organized crime members at the highest levels.

My statement to you today is that the organized criminal element in this country has manipulated and controlled the prepaid health plans, pension plans, as well as life insurance coverage for the majority of the members of these three large international unions.

By the way, I have added this on my own, many other unions besides those three. Based on my experience in this area, it is my personal opinion that organized criminal elements continue to completely dominate this area, giving them ready access to the many millions of dollars involved.

The result is that the greatest affect is on our economy. That is my opinion.

Chairman ROTH. Thank you, Mr. Hauser. As you well know, those are very, very serious charges that you have just made. I want to make certain that I fully understand what you are saying. What you say is that a number of unions, particularly the Hotel Workers, are under the strong influence of the Chicago mob and you know that from personal experience.

Is that correct?

Mr. HAUSER. Mr. Chairman, my answer to you would be that it is as if you are hiring someone to work for you and giving them instructions, it is my belief, sincere belief from personal observations, that Mr. Ed Hanley along with Mr. Angelo Fosco were handpicked by Tony Accardo and their boss, Tony's boss to run the respective internationals. I know that for a fact.

Chairman ROTH. Mr. Hanley in particular is the key figure through which the Chicago mob influences the Hotel Workers? Would you say he is the key figure?

Mr. HAUSER. He is not alone. He has got companions. Blackie Leavitt I would say is one of the key figures in the country and has been for a long time even before Hanley came into the picture.

Chairman ROTH. Blackie Leavitt is with respect to the Hotel Workers?

Mr. HAUSER. Yes.

Chairman ROTH. You also are charging that not only this union's, the Hotel and Restaurant Employees but also the Teamsters and the Laborers life insurance and prepared health plans are pretty much controlled by the Chicago mob.

Mr. HAUSER. For the time being, the Chicago mob.

Chairman ROTH. What kind of money are we talking about? How much money, from your personal experience was leaked off to the mob figures and others? Are we talking about thousands?

Mr. HAUSER. No. We are talking about millions.

Chairman ROTH. Millions of dollars?

Mr. HAUSER. Millions of dollars, yes.

Chairman ROTH. Nevertheless, the health and welfare programs were drained of millions of dollars that were purportedly to go to the workers?

Mr. HAUSER. No. Mr. Chairman. There is something here that in many hearings on this and I think few very few people really understand what this is all about. Sorry, Senator Rudman.

You see, the problem begins at the inception. When you go in to negotiate for benefits and, let's assume in the heydays when the unions were getting high salaries for their workers, and were getting four and five increases, the member would see very little of that money. The union trustees, this facade was set up with, for example, five trustees each for management and labor; but it does not exist. I mean it exists on paper, but that is as far as it goes. What they would do is that, 90 cents, the member has no control over it. The member may wind up with 10 cents of a dollar increase, actually, in his pocket. They would allocate where the money would go.

We are not just talking about health and welfare plans. We are talking about prepaid legal—that has been set up about 12 years ago. We are talking about trick evaluations if you please—dental clinics, everything that they use that money for. The bottom line is that the member does not see the money that is increased. Management has to pay it. The union gets all that money and then uses it as it sees fit.

Then what they do is they set up phony corporations to utilize that money to sort of administer it, get the money out and use that company as a vehicle to get the money out for themselves.

Senator RUDMAN. Mr. Chairman, would you yield for one question on that point before he leaves?

Chairman ROTH. Go ahead.

Senator RUDMAN. Are you saying, Mr. Hauser, that the amount of money that is withheld from the employee's pay and contributed by the employer, whatever it might be, it might be 100 percent employer contribution, whatever that amount is per month, say it was $25 a month, that that did not have any relationship to the cost of the services that were allegedly being furnished to the employees, that the union took the $25 and they decided what they would do with it? Is that what you are saying?

Mr. HAUSER. Exactly.

Senator RUDMAN. Thank you, Mr. Chairman. That is a pretty damning accusation, Mr. Chairman.

Chairman ROTH. Let me make sure that I understand what you are saying. You are saying that management agrees to pay so much money through negotiations—to pay it over to the union. It is the union who decides what kind of benefit programs go to the workers? That is not decided in negotiations?

Mr. HAUSER. Well, it is decided in negotiations but what I am trying to say is that in 20 years' experience, I have only run into one instance where the management objected, had a big fight with labor over a case going into effect. Union trustees always get their wishes.

Chairman ROTH. Nevertheless, management has advocated no decisionmaking or responsibility in that area.

Mr. HAUSER. That is correct.

Chairman ROTH. So the unions form dummy corporations which you were involved in as a means of——

Mr. HAUSER. No. I was not involved in it.

Chairman ROTH. Insurance?

Mr. HAUSER. No. No. I was not involved in any of those dummy corporations. No, Mr. Chairman. I know of them. I testified to them

in Miami and people were convicted. I was never involved in any dummy corporations.

Chairman ROTH. What you are saying is that the union would set up dummy organizations?

Mr. HAUSER. That is correct.

Chairman ROTH. As a means of draining off this money for whatever use they wanted to make of it. Is it not true in the case of the hotel workers that their means of domination and controlling was by the international taking over control of the locals?

Mr. HAUSER. Sure. Sure.

Chairman ROTH. Nevertheless, that was a key factor because that enabled them to——

Mr. HAUSER. Control the dollars.

Chairman ROTH. To control the dollars. In your testimony, if I understand correctly, you say Accardo, who is Tony Accardo? What do you think his position is in organized crime?

Mr. HAUSER. He is the boss in Chicago.

Chairman ROTH. He is the boss? He is the big boss? Chief, No. 1? And he, you say to your knowledge, had handpicked Hanley to run the hotel workers and Fosco to run the laborers——

Mr. HAUSER. Yes, sir. I know that for a fact.

Chairman ROTH. You know for a fact those two individuals were handpicked by the chief mobster in Chicago to run those two unions?

Mr. HAUSER. That is correct.

Chairman ROTH. You mentioned there were other unions controlled by organized crime members. Would you want to state which unions those were?

Mr. HAUSER. At this time, I really would not like to. I think you know I have been involved in trials and this and, I think enough is enough, you know.

Chairman ROTH. Could you give the subcommittee an idea of how much money we are talking about in payoffs by you and others to Blackie Leavitt? Are we talking a few dollars, thousands per year or what?

Mr. HAUSER. A lot of money.

Chairman ROTH. Could you be a little more clear? What do you mean by a lot of money? What would be a rough estimate, per year?

Mr. HAUSER. Per year?

Chairman ROTH. Yes.

Mr. HAUSER. I would say somewhere between $75 and $100,000 a year.

Chairman ROTH. $75 to $100,000?

Mr. HAUSER. Right.

Chairman ROTH. Do you have any idea what Leavitt did with this money?

Mr. HAUSER. Yes. He used his influence to get me business.

Chairman ROTH. Did he retain any of it?

Mr. HAUSER. Sorry?

Chairman ROTH. Did he retain any of it for his own personal use?

Mr. HAUSER. He showed me at one time, a lot of cash, he had a place in Fallbrook, quite a place, and he had a condo that he bought his wife, he bought a condo at Century City, lived in Century City for $3,000 or $4,000 a month. He lived pretty well.

Chairman ROTH. Do you have any idea if Leavitt declared any of this money on his tax return?

Mr. HAUSER. I have no idea.

Chairman ROTH. Have you ever met with Ed Hanley at his home in Palm Springs?

Mr. HAUSER. I may have. I met him in Palm Springs but I am not sure if it was at his home or somewhere else.

Chairman ROTH. At any of your meetings with Hanley, Leavitt or others, did they ever discuss concern about representing the employees, the workers? Or were your discussions just who controlled the money and what to do with it?

Mr. HAUSER. No. Basically there was no discussion.

Chairman ROTH. There was no discussion?

Mr. HAUSER. No.

Chairman ROTH. That was the responsibility of the union leadership.

Mr. HAUSER. I would think so.

Chairman ROTH. Could you elaborate a bit on Sidney Korshak's relationship with Chicago organized crime? As I understand, he was sent out by Accardo to Los Angeles. Is that correct?

Mr. HAUSER. I cannot. I can only tell you what I know for a fact and this is as I was told. I really cannot elaborate, I do not know actually what happened. Do you follow me? I cannot make statements I am not sure of.

Chairman ROTH. What was Tony Accardo's other name?

Mr. HAUSER. Joe Batters.

Chairman ROTH. Why was he called Joe Batters?

Mr. HAUSER. I was told the reason is because in the day of, what is his name, what was the famous Chicago mobster——

Senator RUDMAN. Capone?

Mr. HAUSER. Capone. Yes. He used to go out and bat people over the head to do the numbers. That is why they called him Joe Batters.

Chairman ROTH. Senator Rudman?

Senator RUDMAN. Thank you Mr. Chairman.

Mr. Hauser, I want to come back to the question that I asked you previously. Under normal health and welfare plans, in most legitimate companies with legitimate unions, or with nonunion help, if a policy is going to cost say, $50 a month for family coverage—let's say for hospital benefits—the number comes from the underwriter, which might be Blue Cross-Blue Shield or some large company, and that is the amount of money that the company pays or the employer contributes part and the employee contributes part?

Mr. HAUSER. No, sir. That is not true. The employee does not contribute anything.

Senator RUDMAN. In the what?

Mr. HAUSER. Under Taft-Hartley, a union trust the employer pays everything.

Senator RUDMAN. I understand that. But there are still some arrangements in industry today, non-union industry—

Mr. HAUSER. Non-union. OK.

Senator RUDMAN. In government for instance, where people pay a figure which is related to the cost of the policy?

Mr. HAUSER. I actually do not understand the question.

Senator RUDMAN. Let me put it this way. Did you write some insurance business with other organizations other than these three unions?

Mr. HAUSER. Oh yes.

Senator RUDMAN. If you came to a company to write their policy, you told them how much that policy would cost and they paid you that for their employees and they got the benefits in accordance to the premium they paid?

Mr. HAUSER. Out of 100 percent of our business, maybe about five percent was non-union business.

Senator RUDMAN. With the union business then, you said you did about $180 million annually?

Mr. HAUSER. That is correct.

Senator RUDMAN. You actually had an insurance company. You were underwriting those risks. Is that correct?

Mr. HAUSER. Correct, that is correct.

Senator RUDMAN. You were reinsuring them with other companies as well?

Mr. HAUSER. That is correct.

Senator RUDMAN. What relationship did the premium that was paid by these employers have to the actual cost of the benefits that you were furnishing them? Was it a good deal for the employees?

Mr. HAUSER. No. It was not a good deal for the employees.

Senator RUDMAN. That is the point. Why was it not a good deal for the employees?

Mr. HAUSER. I will give you an idea why it was not a good deal. Take a case when you write group permanent life and the premium is so expensive and you take a Hotel and Restaurant Worker Union member——

Senator RUDMAN. Could you pull that microphone a little bit closer?

Mr. HAUSER. Sorry. You take the Hotel Workers Employees, their different unions. You got to understand the structure. There are some unions people stay with 15, 20 years. The hotel workers come and go. They are not the most stable people in the world. I am talking about the worker himself.

Some of them stay, you follow me, but as a whole they tend to work a year or two, then they go to a different job. OK?

So if the money that was given to them in the raise was given to their pocket, it would be one thing. But if term life insurance was bought, that is one thing, at $7 a thousand dollars in coverage, but when you spend $40 a thousand for ordinary life insurance, somebody has got to pay for it. Where does it come from? It comes from the members' money.

Now that money has got—that policy has got—no cash value, the first 2 years. The member leaves after 2 years. He left. He has got no cash value. He has got no more insurance, and the money that was paid in his behalf that he could otherwise have kept, went. Where did it go? It went to the agency that got the commission, split with the union officials.

Senator RUDMAN. So your point is, and the point I am trying to make is, that we understand all about the corruption, we understand

about payoffs, bribery. We have been through all of that, but what is very important to this subcommittee, what the chairman has been trying to do for the last couple of years, is to show how the American working man and woman is hurt by this kind of an arrangement, not just that we have some crooks out there. That is not news. We all know that.

The question is, in your view, are the members of these unions getting a terrible value for their money because of the corruption between the underwriters and the union officials?

Mr. HAUSER. No. I would not say corruption of the underwriters. I would say that you must understand something, that there is a few companies in this country that write labor union business.

Senator RUDMAN. That write what?

Mr. HAUSER. Labor union business. Now you go from dental, I do not know if you are familiar with dental clinics. I happen to know of incidents where union members were paying in something like $22 a month to dental clinics. For 2 of 3 months dental clinics were shut down. The money was still going into the administrator, those collecting the premiums, the member got no benefits at all, could not even get benefits. Then there were limited benefits because the dentist was not licensed, all kinds of problems. That happened in different States. It was not just one individual incident. The point is the money is paid in. They collected it. It gets paid to an administrator who does not exist and the member, excuse my french, gets screwed.

Senator RUDMAN. You are saying that it is really not the underwriters involved with companies such as yours that underwrote, it is the administrators in collusion with those who sell policies?

Mr. HAUSER. There are companies like Acatia Life, I do not know if I am saying something on the record here, they know what they are doing. They knew what they were doing all along, companies like them.

Senator RUDMAN. You did, I think, say you took in $180 million 1 year with all of your companies and premiums.

Mr. HAUSER. It is approximately. It could be more.

Senator RUDMAN. I am saying that is your testimony. That is an approximate figure?

Mr. HAUSER. Approximate, yes.

Senator RUDMAN. What would be the net profit before taxes on that $180 million after you paid out claims and costs of administration, not counting payoffs, but the actual profit before payoffs?

Mr. HAUSER. You cannot count it. The payoff was so heavy, the profit was very little.

Senator RUDMAN. Let me phrase it another way. Out of that $180 million that you did across the board, how much of that went for things other than buying health coverage for the people you were supposed to be covering under these plans? How much of it went to payoffs?

Mr. HAUSER. I would say at least 30 percent.

Senator RUDMAN. Thirty percent? Are you are talking $60 million? Annually that went in a variety of ways, to leaders, to people who worked for them, right down to business agents?

Mr. HAUSER. I will give you an idea. We are going to go off the track. I will give you a little idea. There was one local—these people were convicted in Florida, secretary-treasurer, and president—with 1,100 members. They were each getting $5,000 a month, for maybe only 1,300 members.

Senator RUDMAN. How did you get that money to them if you are talking about $60 million?

Mr. HAUSER. $60 million, 50—we figured it out, it was somewhere between 20 and 30 percent that went for payoffs. That is what killed us. That is what broke the camel's back.

Senator RUDMAN. Did your companies go bankrupt?

Mr. HAUSER. No. They were in receivership. To be very honest with you, I stepped out of the picture. I have no idea what is going on with the company.

Senator RUDMAN. Let me move on to a couple of other questions. I think that gets the record fairly straight toward what we are driving at.

Let us talk about the late Mr. Dorfman. You say that Mr. Kleindienst put you in touch with Mr. Dorfman. Is that correct?

Mr. HAUSER. Mr. Kleindienst told his secretary, "Trixie, you get Allen on the phone."

Senator RUDMAN. Did you get in contact with Dorfman?

Mr. HAUSER. I did not get hold of Dorfman. He got hold of Dorfman. Then he spoke to him, then he put me on the phone. He says to me, if you want to get the Teamster business, you had better get on the plane the next day and go to Chicago. That is what I did.

Senator RUDMAN. Did you get the Teamster business?

Mr. HAUSER. That and other things; there were many other things that happened to get the Teamster business.

Senator RUDMAN. In your testimony, you say that "Tony Accardo hated Mr. Dorfman." Is that an accurate statement?

Mr. HAUSER. That is what he told me.

Senator RUDMAN. Tony Accardo is, according to your testimony, the big boss in Chicago. Is that correct?

Mr. HAUSER. I did not say he was the big boss of organized crime. I did not mean it that way, Senator.

Senator RUDMAN. How could Dorfman have that kind of influence if Accardo was so powerful and did not like him?

Mr. HAUSER. But I had somebody else in mind. Accardo worked on the case.

Senator RUDMAN. Who was that?

Mr. HAUSER. I would rather pass on that, if you do not mind. I got enough problems.

Senator RUDMAN. I do mind. You are a protected witness here. I want to know who that was? I think you ought to be able to answer that for us.

Mr. HAUSER. Mr. Marcello.

Senator RUDMAN. Mr. Marcello. How about Mr. Aiuppa?

Mr. HAUSER. No.

Senator RUDMAN. And Mr. Cerone, were they friendly with Accardo?

Mr. HAUSER. I am sure they were. I cannot make a statement without knowing.

Senator RUDMAN. This is the last question I have for you before I leave. Over Accardo's objections was Dorfman directing insurance business to you?

Mr. HAUSER. No. That is not true. He was getting business as a by-product of me getting the big contract.

Senator RUDMAN. And Mr. Kleindienst, you said you paid him $250,000 in fees.

Mr. HAUSER. If you want to call it fees, that is the way it was written. I would not call it fees.

Senator RUDMAN. What did Mr. Kleindienst do for the $250,000?

Mr. HAUSER. Very little.

Senator RUDMAN. What did he do specifically?

I would like an answer. What did Mr. Kleindienst do for the $250,000?

Mr. HAUSER. It is a very good question. I guess he spoke to Mr. Fitzsimmons a couple of times.

Senator RUDMAN. So it was more of a commission than a fee?

Mr. HAUSER. You call it what you want.

Senator RUDMAN. How much money did you write, and how much premium did you write because of Mr. Kleindienst's activities on your behalf?

Mr. HAUSER. It was just the one case.

Senator RUDMAN. Approximately how much money?

Mr. HAUSER. I believe the premium was somewhere around $24 million—do not hold me to it, it would be $23 million, $22 million.

Senator RUDMAN. $20 to $25 million?

Mr. HAUSER. Yes, premium.

Senator RUDMAN. So if my numbers are correct, you paid 1 percent of that in legal fees for the contract?

Mr. HAUSER. It was just partial payment.

Senator RUDMAN. Did you pay more than the $250,000?

Mr. HAUSER. No, just to Mr. Kleindienst.

Senator RUDMAN. You paid other people other money?

Mr. HAUSER. Yes, sir.

Senator RUDMAN. In the millions?

Mr. HAUSER. No.

Senator RUDMAN. In the hundreds of thousands?

Mr. HAUSER. Yes, sir.

Senator RUDMAN. Mr. Chairman, thank you.

Chairman ROTH. Why do you think management does not take more of an interest in this area of general welfare and health programs? Is it because of fear, or because of threats why would you say that they pretty much leave it to the unions to operate these programs?

Mr. HAUSER. It has been my belief for the last 10 years very strongly, that the trusteeships the way they are set up right now will never survive or function. And even though ERISA was passed, I am sure you are familiar with ERISA, I think it is meaningless because like I said, all the years that I have dealt in this business, I got one objection from management. And you got to understand that management is a businessman. He has got to live with these unions

every day. He has got to negotiate contracts with them. What does he care what they do with the money, how they spend the money, where it goes? He is just interested in going down and doing his business.

Chairman ROTH. Nevertheless, it is your feeling that they just wash their hands because they are busy with their own business operations?

Mr. HAUSER. Sure.

Chairman ROTH. Do you have any suggestions as to what might be done in the law to try to avoid these kind of situations which existed with these programs?

Mr. HAUSER. I would have to tell you my friend Bill Fleming—who by the way Bill Fleming and the FBI and the Director Webster when I was working undercover, I think did a super fantastic job and they were involved daily because, well, this undercover operation really did it. It allowed me really to find out, even though I knew all the characters, what control organized crime had over it. And the FBI did a job that is beyond belief. I worked in ways that were quite risky, you know, and had many close calls. The point I am trying to make is to bring it out because the FBI made the statements, which ones to go to and which ones not and so on; we had directions daily. I think that the giving out of contracts should be taken out of the hands of management and union and if that is not going to be done, this is going to continue regardless of who becomes general president of the next international union because that is just the fact of life.

Chairman ROTH. You are suggesting that the handling of welfare programs for the workers should be under control of neither management or union but some third party?

Mr. HAUSER. I would say it should be someone appointed by the government.

Chairman ROTH. Do you think that is the only way you can eliminate it?

Mr. HAUSER. I honestly and sincerely believe that and believe me, I have known trustees, and I have known them throughout the country and that is the only way you can ever control it. As long as you are going to have management and labor trustees four and four, five and five or six and six, you are walking in with a stacked deck, and you have no chance. You really truly do not.

Chairman ROTH. That may take care of the problem of administering some of these plans.

Mr. HAUSER. No. That takes care of it. That is a big step because what that does, what that does is it would open, take the next step, is that same person that will be in charge of people would also buy benefits. For instance, when they send out for specs, you know what I mean by specs on insurance.

Chairman ROTH. Specifications?

Mr. HAUSER. On hundreds of cases, the trustees, the administrator would give me the specs, I would submit my bid on the lowest day.

Chairman ROTH. On the what?

Mr. HAUSER. The last day. I would submit my lowest bid, I would get the case. Follow me. Three months later we go in and get an increase. Who is killing who? The point is that that person has got to be in charge of not only getting the bids out to the companies but also

determining the benefits for the members, what they get and if only $12 is needed for benefits, and he has got an $18 increase, $6 should go to his pocket.

Chairman ROTH. Let me ask you this: let us assume we succeeded in eliminating the influence of the mobsters on the fringe benefit programs by taking it away from both management and the union. Would that eliminate the influence of the mob in the union, or will they still have reason to want to continue to influence it?

Mr. HAUSER. I can honestly tell you that I believe that the mob has been damaged tremendously in many areas throughout the country. I am not saying that new faces and new people are not going to come out and succeed them and take over. But if you take inventory from the Northeast to the gulf to Chicago, a lot of them are in jail or indicted. I still got to testify in many trials against some heavy people. I am not happy about it. But people that are sitting in jail or have been indicted or have been convicted and waiting on appeal do not exert the same strength that they had before. They are concentrating more on their problems. So I am not saying that a new breed of mob is not going to come out, but we are talking about people who had control for 30, 40 years that are no longer in the picture.

Chairman ROTH. How can we insure some new figures do not take over or at least reduce the chance of it? One of my concerns is that prior witnesses that keep testifying that we do succeed and the FBI and Justice Department as well as State officials have done in many cases an outstanding job in putting some people behind bars. But the problem is that even though that happens, somebody else new comes over.

Mr. HAUSER. If you sit down and analyze what has happened, when you see people like Carlos Marcello, sitting in jail right now, I happen to know of his tremendous strength. Al Pilotto, sitting in jail 20 years, Marcello, 17 consecutive, Trafficante, who was indicted—I was supposed to testify against him but he is waiting, laying in the hospital with dialysis—and Patriarca up north, you are talking about the big bosses. We are not talking here about just mob. We are talking about the big bosses that got their own problems with the FBI and Justice Department. What was accomplished was done so that these people are not concentrating right now on these things here like dental plans. Believe me, there is plenty of problems going on in Chicago.

So I would say that in my opinion and I feel very strongly about this, that government—legislation must be passed that there cannot be labor-management representation under Taft-Hartley as far as receiving funds, as far as getting bids and contracts. Because there are consultants, I am not going to go into it right now, that have been dealing with these unions for 30 years; they control the bids and everything else. This is an old game. As long as you are going to have management and labor trustees, you are going to have problems.

Chairman ROTH. Nevertheless, you are saying as long as they control, they will still find new ways and means of——

Mr. HAUSER. It may take them a year or two to reorganize with new faces. As long as you have the same players, they will find a way to do it.

Chairman ROTH. Let me go back to Mr. Korshak. What do you know about him? What is he currently doing?

Mr. HAUSER. I cannot answer that.

Chairman ROTH. You cannot answer that? Why?

Mr. HAUSER. I do not know. I do not know. That is why I cannot answer it.

Senator RUDMAN. Mr. Hauser, I have one other question.

Mr. HAUSER. Sure, Senator.

Senator RUDMAN. During the years that you were involved in this business, and during all of your dealings on a daily basis with these union officials and the trustees of the plans, did you ever hear any concern expressed about the procedures and the audits that were conducted by the Department of Labor to see whether or not these moneys were being used for the purpose intended?

Mr. HAUSER. You are going into a totally different area because, according to them, they had juice in Washington to control everything.

Senator RUDMAN. So what you are saying is that the word was that there was enough clout up here to make sure that the audit procedures were not stringent?

Mr. HAUSER. I can tell you that I was in Mr. Dorfman's office when the Labor Department was there and he was laughing. He says I got everything under control. That was the day I was in his office. They were sitting in his office. There were 10 people there.

Senator RUDMAN. From the Labor Department?

Mr. HAUSER. Yes.

Senator RUDMAN. Mr. Hauser, if there were an honest, vigorous and thorough audit of your companies and where the premiums went, and how they were spent, this scheme could not have gotten too far, could it?

Mr. HAUSER. Yes, it could have.

Senator RUDMAN. It could have in spite of that?

Mr. HAUSER. Absolutely. Because the reason is, let us assume you own an insurance company, Senator. You pay out, Senator Roth has an insurance agency, you pay Senator Roth commissions. You pay him 100-percent commissions. What he does with the commissions is his business. There is nothing illegal about that. What is illegal is No. 1, how you got the business, No. 2, what he does with the commissions. He has to split it and give 90 cents of the dollar to other people.

Senator RUDMAN. That is my point.

Mr. HAUSER. How can you control it?

Senator RUDMAN. Because it was all done with cash?

Mr. HAUSER. Right.

Senator RUDMAN. Thank you Mr. Chairman.

Chairman ROTH. Mr. Weiland?

Mr. Weiland. Mr. Hauser, I want to go back and pick up on a couple of points from your prepared statement.

You mentioned you were quite close to Blackie Leavitt over a period of years.

Mr. HAUSER. Yes.

Mr. WEILAND. Did you, from time to time, have discussions with Leavitt about Ed Hanley's handling of the international union?

Mr. HAUSER. Yes.

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Mr. WEILAND. Would you, from time to time, discuss Hanley's efforts to control locals?

Mr. HAUSER. Yes.

Mr. WEILAND. And merge locals?

Mr. HAUSER. Definitely.

Mr. WEILAND. It is your understanding that that was something that was very prominent in Hanley's mind from the beginning?

Mr. HAUSER. Yes. Because this was following the pattern to get control of everything in the hands of the international.

Mr. WEILAND. You also mentioned Herbert "Pinky" Schiffman, vice president of the union, was in Miami, currently in San Diego. Mr. Schiffman was called before the subcommittee in executive session recently and, Mr. Chairman, the members have voted to unseal that transcript.[1]

Mr. Schiffman invoked his fifth amendment privilege on virtually every question.

You have testified today that you paid Schiffman.

Mr. HAUSER. Yes; on two occasions.

Mr. WEILAND. Would you tell us if you recall the amounts of money involved?

Mr. HAUSER. Yes. I believe it was $1,500 the first time when he got off the plane from Atlanta, and then $5,000 on another occasion.

Mr. WEILAND. What was he returning from Atlanta for? Could you elaborate on that?

Mr. HAUSER. Something about a hotel that he was indicted, something happened, he got into some problem in Atlanta, something happened. I do not recall exactly what happened.

Mr. WEILAND. He had a Federal indictment in Atlanta?

Mr. HAUSER. Is that what happened?

Mr. WEILAND. Yes. Did the money have something to do with the legal fees?

Mr. HAUSER. He needed some money.

Mr. WEILAND. You also mentioned Santos Trafficante in Miami.

What is his relationship if you know, to local 355 and Al Gonzales?

Mr. HAUSER. He just said Al would control things for him. That is all I can tell you. That is all I know.

Mr. WEILAND. Is he able to bypass the Chicago family in order to do that? What is his relationship to Chicago?

Mr. HAUSER. It goes back in my opinion, when you questioned me, I told you where the orders came from.

Mr. WEILAND. From Mr. Marcello?

Mr. HAUSER. Right. Trafficante and Marcello were very close.

Mr. WEILAND. Al Pilotto was convicted in Miami?

Mr. HAUSER. Yes.

Mr. WEILAND. Is it your impression that he is part of Accardo's organized crime syndicate?

Mr. HAUSER. Yes, sir.

Mr. WEILAND. He, Mr. Chairman, will also figure in our later look at some of the dental plans that the international is involved in.

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[1] The entire transcript of the subcommittee's March 9, 1983 executive session may be found in the Appendix on p. 165.

The last question, I have, Mr. Hauser, has to do with William Meyers and his company, which is the administrator for the Hotel Workers International health and welfare fund. Do you know Mr. Meyers?

Mr. HAUSER. I met him on a couple of occasions in Miami, yes, sir.

Mr. WEILAND. Would you tell us the circumstances of those meetings?

Mr. HAUSER. Yes. At that time, the man known to me as Joe Batters told me we were having a problem in Florida with the administrators and he wanted somebody to take over the administration. He told me me was sending someone down to see me.

Mr. WEILAND. Joe Batters is Tony Accardo?

Mr. HAUSER. Tony Accardo.

Mr. WEILAND. He told you he was sending someone down to help you with your problem?

Mr. HAUSER. No; not the problem, to handle the administration and he was going to do everything properly right away.

Mr. WEILAND. Did Meyers eventually appear?

Mr. HAUSER. Yes. He did.

Mr. WEILAND. What transpired?

Did you reach an accord with him?

Mr. HAUSER. We agreed pretty much to what was going to happen. I put him in touch with Brian and other people because the administration was not my cup of tea. I doubt anyone will fight with that.

Mr. WEILAND. When you say Brian?

Mr. HAUSER. Brian Kavanaugh.

Mr. WEILAND. He worked for you?

Mr. HAUSER. President of the company. That is correct.

Mr. WEILAND. As far as you know, nothing ever developed?

Mr. HAUSER. It was toward the end of the situation where everything collapsed.

Mr. WEILAND. Mr. Chairman, the last thing I have is a credit application, which we have subpenaed from the Dunes Hotel and Casino in Las Vegas. It relates to Mr. Hauser. I would like to place this in the record and point out that at one point on this credit application, he refers to Blackie Leavitt as a reference.

Chairman ROTH. Without objection.

[The material referred to was marked "Exhibit No. 8," for reference, and follows:]

EXHIBIT NO. 8.

J-3671

REPORT: S CARD OPENED L/A/S ON

Telephone 213-388 0541

ADDRESS 3727 W. 6TH LA

JUN 11 1968

6/11/68 City Natl ch. acct of. 5/67 low 3 ; ratio.

3-21-68 Crocker Citizens Bk; bus. acct. 6-1-67 av. bal. low 4 ratio.

5-25-67- City Natl- 1000 NG. Acct of 5/67. Too low to RATE.

5-25-67- Crocker-Citizens — Account Closed No signature Card on file either. Nothing on Comp.

FILE CENTRAL DATE 6-8-68

(PLEASE PRINT) JOSEPH HAUSER

10 DAY CREDIT LIMIT REQUESTED 2000

NAME Joseph Hauser

FIRM LABOR-INS POSITION VICE PRES

ADDRESS 2525 W. 8th St CITY L.A. STATE AND ZIP CODE DERO

BUSINESS PHONE (AREA 13001 COMPSTON CITY VAN NUYS STATE AND ZIP CODE

386-6530 RESIDENCE PHONE (AREA WRITE-OFF

CITY NATIONAL ACCOUNT NUMBER 010-07 5013 TYPE OF ACCOUNT

Studio City

Hollywood CITY N Holly TRANSIT NUMBERS 12-83 1262

CROCKER CITIZENS ACCOUNT NUMBER TYPE OF ACCOUNT

WILSHIRE-WESTWOOD CITY L A TRANSIT NUMBERS

FOR CLARITY all entries ARE ONLY - DO NOT WRITE IN THIS SPACE

); MKR

INFORMATION: ("X" IN APPROPRIATE BLANKS)

C & B RATING

AM. EXP: YEAR PERS COMPANY

NUMBER

EXPLAINED:

BofA COURTESY CHARGE X

ATC: GREEN (INTN'L) RED (DOMESTIC)

PERS COMPANY NUMBER

D&B REPORT ON FILE

DINERS: PERS COMPANY

NUMBER

OTHER HOTELS LIST HERE:

CARTE BLANCHE:

SHERATON //: ; PLAIN

HERTZ AVIS NATIONAL

TELEPHONE RAILROAD TELEGRAPH

GAS CARDS:

LODGES:

DRIVERS LICENSE: STATE: Cal Lic.

NUMBER R787846. BIRTHDATE 1-1-32

AUTHORIZED LIMIT:

MALE X FEMALE GLASSES

TEST: ROOM NO. 523 OR WHAT HOTEL

2000

REFERENCE BLACKIE. LEVITT.

BY BWL

VERIFIED NOT VERIFIED

WRITE-OFF

CARD FILLED OUT BY

6400

RECOMMENDED LIMIT 1ST TRIP (OR TILL CLEAR)

1-31-71

COMMENTS:

NAME

HAUSER, JOSEPH

Be sure to identify all entries as follows:
CK (check to go); MKR (unsigned document); IOU PIT (signed document from one of the pits; IOU Cage or IOU Cash (a signed document taken at the window) or; H. CK (a negotiable check dated currently with a note on indicating when it is to be deposited).

	AMOUNT	BY WHOM	TYPE	REMARKS
5	500	JM	SW	
6	500	M		
17	refused			
17	1500	B/Rec		
5	1000	M		
5	1000	JM		
14	500	M	SW	
	200	R.J.	COR	
18	1000		Pen-Chips	
27	200	R.H.		7 days
28	1 Rec	Pit 104		
10	200	JD-65		
11	2000	GRL	PIT 104	
12	CHECKS	INSUFFICIENT		
12	50	B/R.S.		

10/14/68 -- $1800.00 in checks returned on Crocker- Citizens N. S, F. - bank changed and redeposited

10/17/68 Rec'd CK from Bk for $1800

1/K	500	SS		
4	500	SS		
5	500	JM	→ 10/18/68	Cash Pit Drawer acct Close
13	500	?	→ 11/5/68	Rec'd pay
2	50	CS		
1/9/68	200	SR/HB		

DATE	AMOUNT	BY WHOM	TYPE	REMARKS
	1000	OK	SW	
	2000	9-27	CR	
		S.W.		
12-20	1300	GW	Pit 104	
69				
3-24	1000	JD-B		
3-25	1500		Pit 104	
3-25	1650		(PU MKR + 150 CASH)	
6-21	OK for 3000		TOTAL	
6-21	1000		JR/SW	
7-5	100			
7-5	200	JR		
6	5000		Pit 104 — MADE INTO CKS	
7-7	I AM GETTING 1700.			

TO BE COMPLETED BY CAGE MGR Bank
AMOUNT OF TRANSFER: $5,000
LAST TRIP (DATE): from Bank
H.A.L.T.
PAYMENT (METHOD) 5000 Coll. Items.
TIME IT BOOKS: from Bk 1050
COMMENTS: Pen. SW. Mr. Hansen to P.O
BY: CASH

Be sure to identify all entries as follows:
CK (check to go); MKR (unsigned document); IOU PIT (signed document from one of the pits; IOU Cage or IOU Cash (a signed document taken at the window) or; H. CK (a negotiable check dated currently with a note on it indicating when it is to be deposited).

AMOUNT	BY WHOM	TYPE	REMARKS
6700	Cash	Mkr.	Picked up Mkr. CK1 Gen
		7/7	O.K. to 1000 Limit. S. Tu.
			Hold Mkrs. Fri. 2. Days. May
			Wan. to Pick Them up Again
			SW
5000	Sky	Fit Four	
2000	Ber	✓	
6689 (CST)	O	Cash Ck.	
			"C" FILE (ISW
500	SW	→ Tahoe CK Ret'd for BK NSF	Redeposited
		9/12/70 Recd payt for BK 500 —	
1/10 - 500 NSF		11-36	5/4/71 500 NSF VH
			WRITE-OFF
			1,500
Kings Castle Inn. Lake Tahoe			
500	? SW	→ 9/14/70 CK Ret'd	
700	SW	→ 9/15/70 CK Ret'd	
?-1-71	Cured	5400	
7-11	Cured	6700	0
DL	Tahoe		

TO BE COMPLETED BY SUPERVISOR

HI ACTION EVER: BK NSF 11-71
LAST TRIP (DATE):
H.A.L.T.
PAYMENT (METHOD):
TIME IT TOOK:
COMMENTS: C File fr 8-24-67

0 7-21-71
4-18-72 Hilton Fmt.

Chairman ROTH. Mr. Hauser, that completes your questioning today. So we will at this time clear the room once more.

[Members present at the time of the recess: Senators Roth and Rudman.]

[Brief recess.]

[Member present at the recommencement of the hearing: Senator Roth.]

Chairman ROTH. We have additional staff testimony that we would like to have offered at this time.

So I call forward Barbara Jeanne Cart, who is staff counsel for the Permanent Subcommittee on Investigations.

Raise your right hand? Do you swear the testimony you will give before the subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Ms. CART. I do.

Chairman ROTH. Please be seated.

Please proceed, Barbara.

TESTIMONY OF BARBARA JEANNE CART, STAFF COUNSEL, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Ms. CART. Mr. Chairman, as you know, the subcommittee's investigation of the Hotel Employees & Restaurant Employees International Union has focused, in part, upon the decision by international president, Edward T. Hanley, to actively seek the merger of local unions, and local welfare and pension funds into the international funds. One of the many allegations that this subcommittee has investigated is that President Hanley has used his powers to impose mergers and trusteeships to gain control of various locals and their funds despite the wishes of the local membership.

Last September the subcommittee heard evidence regarding the 8-year trusteeship which has been imposed in Reno, Nev., and addressed questions of impropriety surrounding that trusteeship. The subcommittee also heard testimony regarding local 19 of San Jose, Calif., and local 28 of Oakland, Calif., each created by merger of preexisting unions. One of the primary concerns noted at that time was that these mergers allowed President Hanley to handpick the top official for the local. Since the September 1982 hearings, the individuals selected to head these two locals have been indicted in a Federal kickback-embezzlement scheme.

Today, I would like to discuss briefly the situation of HEREIU Local 2 in San Francisco, Calif. This local was created by a merger of preexisting locals in 1975, and its president appointed by Ed Hanley. The man Hanley appointed was defeated in the local election which took place almost 3 years later. Within a matter of months a trusteeship had been imposed and control of the local returned to the international. Later that year a Federal district court ordered new elections and terminated the trusteeship. A strong dissident group within the local continues to maintain that the international effectively controls the local through its current leadership, denying its membership any real voice in its operation.

Prior to October 1, 1975, culinary workers in the San Francisco area were represented by five different locals of the Hotel & Restau-

rant Employees' & Bartenders' International Union: Dining room employees, local 9; bartenders, local 41; cooks, pastry cooks and assistants, local 44; miscellaneous culinary employees, local 110; and hotel, motel, club and service workers, local 283. In a letter dated April 8, 1975, international president Edward Hanley advised the executive officers of each of these locals that all five locals would be merged into a single, new organization, noting that:

Experience has proven that not only are overall operating expenses reduced, but such mergers enable the new local to better serve the present membership and to more effectively organize the unorganized.

The decision to merge and the actual merger were accomplished in accordance with the constitution of the Hotel & Restaurant Employees & Bartenders International Union, as amended in December 1974. This amendment, article V, section 16, which was approved at the special convention held in San Francisco in December of 1974, provides that:

The General President, with the approval of the General Executive Board, shall have the power to merge local unions and other subordinate bodies under such terms and conditions and subject to such qualifications as the General President may determine, taking into consideration such circumstances as financial conditions, jurisdiction, location and such other factors as appear appropriate in connection with the local unions and other subordinate bodies involved.

At the time of the convention there was some opposition to this broad grant of authority:

"On the basis that it takes away from the local unions the right to their own self-determinations as to how they want to merge with and whom they want to merge with."

First day proceedings, 1974 special convention at 28—remarks of delegate Joseph J. Canale—[sic]. Plaintiffs' exhibit A.

"You are taking our democratic rights away or not giving us a chance to vote." Id.—remarks of delegate Joseph Massimino—[sic].

President Hanley argued that vesting the international president with the unilateral power to merge was necessary to the well-being of the union:

"Now it is not my desire to be a god or to have total authority, but in the event that I have to act in that fashion, by God, I want the authority to do it!"

Id. at 29—remarks by President Hanley—*Kahn* v. *HREBIU*, 469 F. Supp. 14, 18 (N.D.C.A. 1977).

A similar provision granting the general executive board the power to merge the international with other unions was also passed at the same convention.

Previous testimony before this subcommittee by William Jones, assistant regional administrator, labor management service administrator, labor management services administration, suggested another reason for the mergers. Mr. Jones stated that, at the special convention in 1974:

The convention approved a resolution empowering the general president to establish an international pension fund and international welfare fund. The general president was empowered to take all necessary action to accomplish the establishment of the two funds. It also authorized the merger of any pension or welfare fund of a subordinate body into the international fund.

The international funds were established, but the west coast locals resisted merger of their funds with the international funds. In accordance with the power granted in the December 1974 resolution, the general president, Edward T. Hanley, merged several locals in California.

Permanent Subcommittee on Investigations Hearings, September 28, 29 and 30, 1982, page 95.

He said the west coast locals were resisting the mergers and therefore Ed Hanley ordered the mergers of the locals in California.

The merger of the San Francisco locals was challenged on June 30, 1975, by Harold Treskunoff, who filed a charge with the National Labor Relations Board—NLRB—that the decision to merge was illegal. The NLRB regional director found that the merger had occurred in accordance with the international constitution and refused to issue a complaint on the charge.

On September 11, 1975, several union members representing each of the five locals filed suit in Federal district court seeking:

To enjoin (1) completion of the proposed merger without approval by the membership, (2) implementation of the by-laws for Local 2 without a vote of the membership, (3) election of Local 2 officers before approval of the by-laws by a majority vote of the membership, and (4) acceptance of Local 2 officers elected or appointed prior to the entry of any order granting injunctive relief. Plaintiffs also ask(ed) the Court to compel the election of new Local 2 officers within six months of the effective date of the merger.

—*Kahn* v. *HREBIU*, 469 F. Supp. 14, 17 9N.D.C.A. (1977)

The court decided, instead to grant defendants' motion for summary judgement, finding that under the provisions of the international constitution, article V, section 16 and article IV, section 11, the members had no right to vote on the merger issue; no violation of the LMRDA arose from the bylaws election; the new local created by the merger was not bound by the bylaws of the preexisting locals; and the decision to appoint officers for the new local and to delay elections for 2½ years did not violate LMRDA.

Thus, the merger was affected and Joseph Belardi, who had been president of the Cooks Local 44 and head of the San Francisco Joint Executive Board for a number of years, was appointed by Ed Hanley as president of local 2. Belardi had also been named an international vice president by Ed Hanley soon after Hanley became general president.

Within the next 2 years the dissident group which had challenged the merger continued to take issue with the Belardi administration. Finally, in the 1978 elections for local 2 David L. McDonald, an opposition candidate, defeated Joseph Belardi as president of the local. Belardi was subsequently sent by the international to Hawaii as a trustee of local 5. Belardi supporters, however, remained vocal in local 2 meetings, seriously disrupting normal business proceedings.

According to Mike Koblentz, a member and former business agent of local 2, after David McDonald took office:

He became friendly with Herman Leavitt of the international union. McDonald later publicly stated that he was "duped" by Leavitt into asking the IU for assistance in operating local 2. The IU subsequently imposed a trusteeship and Vince Sirabella was appointed trustee. Within a very short time, Sirabella had fired not only McDonald but also Winston Ching, vice president of local 2. Sirabella proceeded to reinstate at least six individuals who had been fired by McDonald. In effect, he retained those employees who were proponents of the IU rather than the local.[1]

[1] A copy of the declaration of Mike Koblentz may be found in the Appendix on p. 187.

Under article VI, section 8 of the international constitution as amended by the 38th General Convention in 1976:

. . . when any Local Union requests administrative assistance for any purpose, the General President shall have the right to provide administrative assistance for such Local. Where the General President provides such administrative assistance he shall have the authority . . . to appoint and remove any officer of such Local Union, and all formal actions of such Local Union shall be subject to his approval . . .

(This provision was deleted from the constitution at the 1981 general convention.)

According to the LM–15 report filed by the local with the Department of Labor under the LMRDA, the administrative assistance under the international became effective on September 18, 1978. In letters dated October 16, 1978, President Hanley informed John Gibson, international general secretary-treasurer, that "it has become necessary to place Hotel and Restaurant Employees and Bartenders Local 2, San Francisco, California under international trusteeship," and authorized Vincent Sirabella to proceed as trustee for local 2. [Attachments.] Documents filed with the Department of Labor indicate that no less than 14 officers and 4 employees were removed by Sirabella from the local payroll.

[Copy of Attachment No. 1 follows:]

ATTACHMENT NO. 1

OCTOBER 16, 1978.

MR. JOHN GIBSON,
General Secretary-Treasurer, Hotel and Restaurant Employees and Bartenders International Union, Cincinnati, Ohio

DEAR SIR AND BROTHER: It is the opinion of the undersigned, based on information received by this office, that it has become necessary to place Hotel and Restaurant Employees and Bartenders Union Local 2, San Francisco, California under International Trusteeship.

You are hereby instructed to prapare a Notice of Charges to the local union setting forth the following reasons for the appointment of an International Trustee:

1. Since the installation of officers of Local 2 in April, 1978, disruption and chaos has taken place at each subsequent Executive Board meeting to the extent that the Executive Board has been unable to function and fulfill its duties in accordance with the bylaws of Local 2.

2. Since the installation of officers of Local 2 in April, 1978, disruption and chaos has taken place at each subsequent general membership meeting to the extent that the general membership has not been able to appropriately perform its essential function in accordance with the bylaws of Local 2.

3. Charges and countercharges have been filed against officers, employees and members of Local 2 to such an extent that if those charges were processed, many of the officers and employees would have their time so filled that their ordinary function in behalf of the local union would be seriously impaired.

4. Because of the chaos and dissension, charges and countercharges, there is serious question as to the identity of which employees have been appropriately hired and/or discharged by the local union.

5. Because of the chaos and dissension, a group of members has requested the International Union to restore the charter of one of the local unions who merged with other local unions to form Local 2 in 1975.

6. All of the above matters have rendered Local 2 unable to function in behalf of its members and unable to maintain the normal democratic processes of a local union. Therefore, the Executive Board of Local 2 at a meeting, requested the General President to invoke Article VI, Section 8 of the International Constitution and appoint an Administrative Agent to govern the affairs of Local 2. By

letter, eleven Executive Board members requested the General President to impose a trusteeship in accordance with Article VI, Section I of the international Constitution. A request for a hearing was received by means of petitions, executed by approximately 147 members of Local 2. Article VI, Section 8 of the International Constitution, does not provide for an oral hearing. General President Hanley, cognizant of the fact that the Department of Labor considers Administrative Assistance as de facto trusteeship, is hereby terminating the Administrative Assistance instituted on September 18, 1978 and today, is imposing a trusteeship so that an oral hearing may be held on this matter in accordance with the International Constitution. This procedure is being implemented in order to accommodate the requests of some members of Local 2.

By reason of all of the foregoing, it is the opinion of the undersigned that the local union and its officers have been guilty of violating the terms of the Constitution, have been conducting the affairs of the union contrary to the interests of said union and the International Union so as to constitute a threat to the welfare of the members, and therefore, an emergency situation exists. I am of the further opinion that International Trusteeship is necessary for the purposes of restoring democratic procedures, assuring the performance of collective bargaining agreements, carrying on the legitimate objectives of the local union and the International Union and assuring compliance with the International Constitution and applicable federal law.

I am of the further opinion that any delay would be detrimental to the best interests of Local 2 and the International Union and that therefore, an International Trustee should immediately take charge and control of the affairs and property of Local 2 with all the powers set forth in the International Constitution, simultaneously with service of the aforementioned Notice of Charges.

Fraternally yours,

EDWARD T. HANLEY,
General President.

ATTACHMENT NO. 1A

OCTOBER 16, 1978.

HOTEL AND RESTAURANT EMPLOYEES AND BARTENDERS UNION LOCAL 2,
San Francisco, Calif.

DEAR BROTHERS AND SISTERS: In accordance with Article VI, Section 1(a) and (b) of the International Constitution, the General President has instructed the undersigned to prepare a Notice of Charges, setting forth the reasons necessitating the appointment of an International Trustee over Hotel and Restaurant Employees and Bartenders Union Local 2, San Francisco, California. Accordingly, you are hereby notified of the following charges which necessitate the appointment of an International Trustee:

1. Since the installation of officers of Local 2 in April, 1978, disruption and chaos has taken place at each subsequent Executive Board meetings to the extent that the Executive Board has been unable to function and fulfill its duties in accordance with the bylaws of Local 2.

2. Since the installation of officers of Local 2, in April, 1978, disruption and chaos has taken place at each subsequent general membership meeting to the extent that the general membership has not been able to appropriately perform its essential function in accordance with the bylaws of Local 2.

3. Charges and countercharges have been filed against officers, employees and members of Local 2 to such an extent that if those charges were processed, many of the officers and employees would have their time so filled that their ordinary function in behalf of the local union would be seriously impaired.

4. Because of the chaos and dissension, charges and countercharges, there is serious question as to the identity of which employees have been appropriately hired and/or discharged by the local union.

5. Because of the chaos and dissension, a group of members has requested the International Union to restore the charter of one of the local unions who merged with other local unions to form Local 2 in 1975.

6. All of the above matters have rendered Local 2 unable to function in behalf of its members and unable to maintain the normal democratic processes of a local union. Therefore, the Executive Board of Local 2 at a meeting, requested the General President to invoke Article VI, Section 8 of the International Constitution and appoint an Administrative Agent to govern the affairs of Local 2. By letter, eleven Executive Board members requested the General President to impose a trusteeship in accordance with Article VI, Section 1 of the International

Constitution. A request for a hearing was received by means of petitions, executed by approximately 147 members of Local 2. Article VI, Section 8 of the International Constitution, does not provide for an oral hearing. General President Hanley, cognizant of the fact that the Department of Labor considers Administrative Assistance as de facto trusteeship, is hereby terminating the Administrative Assistance instituted on September 18, 1978 and today, is imposing a trusteeship so that an oral hearing may be held on this matter in accordance with the International Constitution. This procedure is being implemented in order to accommodate the requests of some members of Local 2.

By reason of all of the foregoing, it is the opinion of the undersigned that the local union and its officers have been guilty of violating the terms of the Constitution, have been conducting the affairs of the union contrary to the interests of said union and the International Union so as to constitute a threat to the welfare of the members and therefore, an emergency situation exists. I am of the further opinion that International Trusteeship is necessary for the purpose of restoring democratic procedures, assuring the performance of collective bargaining agreements, carrying on the legitimate objectives of the local union and the International Union and assuring compliance of the International Constitution and applicable federal law.

We shall appreciate the cooperation of all officers and members of Local 2 so that the International Trusteeship may be terminated at the earliest possible moment.

Respectfully and fraternally yours,

JOHN GIBSON,
General Secretary-Treasurer.

ATTACHMENT NO. 1B

OCTOBER 16, 1978.

Re Appointment as International Trustee.

VINCENT SIRABELLA,
Organizer, c/o Local 2,
San Francisco, Calif.

DEAR SIR AND BROTHER: This letter will constitute your authority and appointment as International Trustee of Hotel and Restaurant Employees and Bartenders Union Local 2, San Francisco, California, effective immediately upon service of the Notice of Charges upon any of the local union officers. As trustee, you shall have all the powers set forth in Article VI, Section 5 of the International Constitution and you are expected to take such steps as are necessary to correct the matters giving rise to the trusteeship.

You are hereby authorized to conduct the affairs of Local 2, you are to suspend all officers, suspend the bylaws, collect dues, pay bills and appoint such temporary officers and employees as you deem necessary to assist you, subject to prior approval of this office. As trustee, you are to advise all officers of the union by letter of said suspension from office.

You are also directed to take possession of all books, records, bank accounts and other property of the local union and upon receipt of same, to issue a receipt therefore to one of the officers of Local 2. The General Secretary-Treasurer's office will obtain a bond as required by Section 502(a) of the Labor-Management Reporting and Disclosure Act of 1959, for the faithful performance of your duties as International Trustee. In the event you appoint an Acting Secretary to assist you in the handling of correspondence and finances of Local 2, please advise the General Secretary-Treasurer immediately so that proper bond coverage can also be obtained for such persons.

You are directed to change the names now appearing on all bank account withdrawal authorizations to your name and one member of Local 2 appointed by you. However, no disbursements are to be made from the funds of Local 2 other than routine operating expenses unless they have first been approved by this office.

During the period of trusteeship, the local union is not permitted delegates to any affiliated body or convention. Meetings of the membership will only be held subject to your call.

An International Auditor has been instructed to proceed to San Francisco to prepared an International Auditors Report of Local 2 at the inception of the trusteeship. You are directed to assist the auditor in any way possible. Please see that three copies of the audit are prepared.

I am endorsing the forms necessary for filing the Initial Trusteeship Report with the U.S. Department of Labor. Please see that both sides of the four copies of the LM–15 are prepared, sign all four copies where indicated and fill in the date and place of signing. After this is completed, please forward all copies to this office. The LM–15 will then be signed by the general officers and filed with the U.S. Department of Labor. Please bear in mind that these forms must be filed by this office within thirty days after the effective date of the trusteeship.

It would be my suggestion that if the LM–2 or LM–3 Annual Report or IRS Tax Form 990 (tax exemption) have not been prepared by the former officers, you should prepare them immediately. Try to obtain the signatures of the appropriate officers. If the officers are unwilling to sign the reports, please forward the unsigned reports to the International Union. If the local union is party to Taft-Hartley Funds, it would be my suggestion that you consult with the Fund attorney to determine whether or not the Fund is in compliance with ERISA filing requirements.

You shall make monthly written reports directly to me regarding the activities of the local union and you are to forward to this office, a monthly financial report, setting forth a detailed itemized statement of receipts and disbursements, including beginning and ending balances for each fund for each month. The filing of these monthly financial statements does not waive the filing of the Quarterly Audit Reports with the office of the General Secretary-Treasurer when due.

If you have any questions regarding the institution of this trusteeship, please do not hesitate to contact this office.

Fraternally yours,

EDWARD T. HANLEY,
General President.

Ms. CART. On November 14, 1978, David McDonald sued the international to enjoin the continued imposition of the trusteeship over local 2 and to restore Ching and McDonald to office. In his lawsuit, McDonald alleged that the former president of local 2, Joseph Belardi, and his supporters had conspired to disrupt the affairs of the local under McDonald's leadership creating a condition whereby the international could impose a trusteeship. He further alleged that the international had placed local 2 into trusteeship in order to restore Belardi to power.

The court, taking notice of the turmoil and dissention with the local, declined to reinstate the elected officers, McDonald and Ching. Instead, the court ordered a new election of officers to take place, and provided that the trusteeship be lifted upon certification of that election by the Department of Labor and approval of the certification by the court.

The court also declined to reinstate the bylaws of the local, which had been changed by Sirabella with Hanley's approval. It is not clear whether this was intentional by the court or merely an oversight, but the effect was significant. Instead of 11 elected positions there were now only 3; the president of the local was given unreviewable rights to hire and fire the local's personnel and staff; and the president now had the power to appoint the majority of the election committee which is responsible for running the union elections. [Attachments.]

[Copy of Attachment No. 2 follows:]

ATTACHMENT NO. 2

OCTOBER 25, 1978.

Mr. EDWARD T. HANLEY,
General President, H&RE&BIU,
Cincinnati, Ohio

DEAR SIR AND BROTHER: Upon receipt of the September 15, 1978, letters (from General Secretary-Treasurer Gibson to Local 2, and from you to Vincent Sirabella), imposing "administrative assistance", I was, to say the least, disturbed. Not all of the charges specified were, in my opinion, valid—they certainly bore

little resemblance to the reasons for requesting assistance (see copy of mailgram attached)—and your letter to Vincent Sirabella in fact appointed him Trustee of Local 2. I spoke with Vice President Kenneally regarding use of the words "trustee" and "trusteeship" throughout your letter and he assured me this was in error. Acting in good faith, I accepted this explanation and reserved judgment.

Events of the past few weeks and imposition of outright trusteeship on October 16, 1978, give me occasion for concern as to whether the International is acting in the best interests of Local 2.

In my telephone conversations with you and Vice Presidents Leavitt and Kenneally, I was assured that, should a decision be made to request administrative assistance, the assistant sent would work closely with me, and that the International would continue to recognize me as the duly elected President and Chief Executive Officer of the Local. At no time was I told that any or all officers would be suspended (certainly not a requirement to administrative assistance nor even to trusteeship), nor was I told that you were "cognizant of the fact that the Department of Labor considers Administrative Assistance as de facto trusteeship." Had the administrative assistance been along the lines anticipated by me (similar to that provided by International Vice President Anthony Anselmo at the inception of Local 2), such a comparison could not be made and there would have been no reason for the confusion and distrust felt by many members.

As to charges and statements made by the International, I draw your attention to the following:

1. All officers have not been proven guilty of violating the Constitution.

2. By actions reflected in the minutes of the executive board and general membership meetings, and by the dismissal of the *Bible, et al.* v. *McDonald, et al.* (No. C781614 SW USDC) case, there is no serious question as to the identity of which employees have been hired and/or discharged.

3. The chaos and dissension over the past several months is not the reason for the bartenders' request for restoration of their old charter. It may be an added reason, but the unrest in this direction has been ongoing since the merger.

4. The eleven persons requesting trusteeship were not acting in behalf of the executive board of Local 2. The subject of trusteeship was never brought before that board. The request referred to was in fact made immediately following dismissal of the *Bible* case (referred to in 2 above), in which those eleven persons were party plaintiffs.

5. The charges and countercharges are of varying degrees. Some are of a very serious nature and should, in my opinion, be processed. The charges solely within the jurisdiction of the International would not unduly impair the ordinary functioning of the Local.

Many of the problems of Local 2 stem back to its inception. These are problems of which I am aware and which, had I been allowed to function as President, I had intended to handle in the course of my administration. They certainly do not warrant intervention by the International. I mention this because the now Trustee, Vincent Sirabella, repeatedly makes reference to the deep-seated problems within the Local. The problems necessitating International assistance are very apparent—they are not deep-seated.

As you are already aware, there has been open hostility to my administration since the installation of officers on April 18, 1978. Certain self-serving re-elected and former officers, executive board members and employees, ignored my request for patience, cooperation and unity. Instead they made it abundantly clear that they had no intention of abiding by the election results. Certain of these individuals decided that new rules for a new administration were in order—rules which were not the mandate of the membership. Past practice was no longer a precedent. Vindictiveness and total irresponsibiliity became an everyday occurrence. It was very apparent that, whatever the consequence on the Local, I was not to be allowed to function as President. It is this situation which has created the chaos and the breakdown of normal democratic processes within our Local. I have never been given the opportunity to prove that I can perform the duties for which I was elected.

Despite the adverse circumstances, the Local has functioned in behalf of its members, and implementation of new programs was underway. However, a union obviously cannot function properly or democratically if the majority of its executive board members behave in an irresponsible manner, or if the general

membership meetings end in chaos. Chaos which, I might note, was caused by business agents and former officials making dilatory parliamentary motions, and inciting the members with threats of violence.

Acknowledging the gravity of the situation, and constructive guidance in any other form not having been offered by the International, I agreed to administrative assistance. My prime concern was, is, and will continue to be, the welfare of the membership.

To conclude, I believe the problems within Local 2 can, and should be, solved without trusteeship. I am opposed to such drastic measures and, acting in good faith, I request you to reconsider the action taken and to discontinue the trusteeship now in effect.

There is evidence, written and oral, to support my statements; you have on file, or are aware of, much of this. Should discontinuance of trusteeship be denied, I hereby request a personal appearance at the oral hearing already applied for, and that I be notified of the date, time and place of same.

Fraternally yours,

DAVID L. MCDONALD,
Suspended President, Local 2.

ATTACHMENT NO. 2A

UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF CALIFORNIA

No. C78–2642 SAW

DAVID L. MCDONALD, PLAINTIFF,

vs.

HOTEL AND RESTAURANT EMPLOYEES AND BARTENDERS INTERNATIONAL UNION, DEFENDANT.

SUPPLEMENTAL AFFIDAVIT OF DAVID L. MC DONALD

STATE OF CALIFORNIA,
County of Alameda, ss:

I, David L. McDonald, being first duly sworn, depose and say:

1. In his Affidavits, International Trustee Vincent Sirabella claims that he fired me from my office as President of Local 2 for two reasons: First, that I publicly criticized the trusteeship; and second, that I refused to accept job assignments from him. The statement that I refused job offers from Sirabella is categorically false. He never offered me any job with Local 2. In his affidavit, Sirabella states that he authorized Charles Lamb to offer me the post of running the union's apprenticeship program. That may be true; however, Lamb never offered me that post. In addition, there is no such thing as a "union apprenticeship program." The only culinary apprenticeship program operating in San Francisco is a program which provides apprentice cooks with on the job training at various hotels and restaurants. This program is funded by state and federal government funds and is overseen by a board consisting of an equal number of union and employer representatives. It administrative director is chosen by that board, not by the union. That job is presently filled by Lynn Dykstra, and, to my knowledge, no vacancy in that position is foreseen. Finally, I might add, the job of running that program is one which is not in the least connected with, or similar to, being the president of Local 2.

2. One question that has been raised with respect to the trusteeship concerns the attorneys retained by Local 2 following my installation as president. Attached hereto and incorporated herein as Exhibit A is the retainer agreement covering the services of attorneys hired by Local 2 following my installation as President. That agreement was read in full to the Special Executive Board meeting of Local 2 held on May 15, 1978. The retainer agreement was approved unanimously by the Executive Board on that date and was signed by myself and Secretary-Treasurer Phyllis Foley at said meeting. The agreement was subsequently approved by the membership of Local 2 at the general membership meeting held on May 16, 1978.

3. Another issue raised by the International Union is that because of the problems within Local 2, one of the constituent groups within the local was seek-

ing restoration of its charter as a separate union. At the union's internal hearing held December 12–14, 1978, the group that had sought restoration of its charter was identified as the bartenders, who had formerly been members of Local 41 before the creation of Local 2 in 1975. However, the evidence presented at the hearing indicated that they had actually been dissatisfied with their situation within Local 2 before I was elected president and had been circulating a petition setting forth their grievances and seeking restoration of their independent charter before my election. Gabriel Schack, a business agent for Local 2, confirms in his Affidavit submitted to this Court that the bartender petition began before my election (paragraph 4). At the internal hearing on December 12, the International introduced a total of three exhibits concerning the bartender matter. True copies of them are attached hereto as Exhibits B–1, B–2, and B–3. As the petition signed by the bartenders shows, the reasons for their request to the International are unrelated to my presidency (Exhibit B–1).

4. I was aware of the dissatisfaction among the bartenders and their petition when I first met with General President Edward Hanley on April 21, 1978. I mentioned this problem to him and he told me that they wanted their charter back as an independent local. His only response was, "That's what they think."

5. The International also claims that the trusteeship is required by the large number of internal union charges pending against members and officers of Local 2. This charge is itself misleading. There have in fact been a total of 53 internal union charges filed by various members and officers since I took office. All of them were introduced by the International Union at the internal union hearing held on December 12, 1978.

6. The International's claim is misleading, however, because the vast majority of the pending charges could be resolved in several large groups, as follows:

First, eleven of those charges were filed by Financial Secretary-Treasurer Foley against those Executive Board members who participated in the unauthorized Executive Board meeting on June 15, 1978. (This meeting is discussed at Paragraphs 21–24 of my original affidavit.)

Second, 22 of those charges were filed by Foley, the sergeant-at-arms, and members Marion Kendrick and Susan Doppelt against various members of the Belardi faction, charging them with disruption of the July 18, 1978, membership meeting of Local 2. (This meeting is mentioned at Paragraph 31 of my Affidavit, although the date of the meeting is there erroneously stated as July 17, 1978.

Third, eleven of those charges were filed by Foley and myself against the Plaintiffs in the *Bible* suit for filing that action without first exhausting their internal union remedies as required by Article XX, Sections 19–20, of the International Constitution. (The *Bible* suit is discussed at Paragraphs 32–33 of my original affidavit.)

Thus, it can be seen that 44 of the 53 pending charges can be resolved through three proceedings.

7. Moreover, the burden of resolving these charges is to be shared between the local union and the International. In general, the charges are to be resolved by the local union. Local 2's bylaws, a copy of which is attached hereto as Exhibit C, indicate that internal union charges are to be heard by a trial board, a majority of which is appointed by the President and a minority of which is appointed by the Vice President at Large. (See Article X, Sections 4 and 9.) The International Constitution provides (Art. XX, Section 6(d)) that when a person who would otherwise be responsible for appointing the trial board is himself either the charging party or the person being charged, then the International General President is responsible for appointing the trial board. This procedure is applicable to the First and Third groups of charges discussed in paragraph 6, above. As noted in my previous affidavit, the General President refused to process these charges.

8. I wish to mention three additional matters which, in my opinion, indicate bad faith on the part of the International with respect to the trusteeship imposed herein.

9. First, I think that it is significant that the monthly magazine, the Catering Industry Employee, published by the International Union, contained no mention of the election in Local 2 in which I was elected President. That magazine regularly reports on internal union elections, and most issues carry photographs of the winners of local elections. Although Local 2 is one of the largest local unions in this international, the election in April of 1978 was omitted totally.

10. It should also be noted that at the same time that Local 2 was requesting "administrative assistance" from the International, acting upon the suggestions and assurances of Vice President Herman Leavitt, the International was informing Trustee Vincent Sirabella that he was being appointed pursuant to the trusteeship provisions of the International Constitution, Article VI, Section 5. A true copy of the International's letter to Sirabella is attached and incorporated herein as Exhibit D.

11. Finally, I am informed and believe, and on such grounds state, that the United States Department of Labor is currently investigating the imposition of trusteeships over local unions by the International Union in this matter. The head of the trusteeship division within the United States Department of Labor has recently stated that during the present period the International Union herein is placing more of its locals under trusteeship than any other union in the country.

12. At present, there are approximately 239 local unions affiliated with this International in the United States. At least 28 of them, or 12 percent of the total, are now in trusteeship. Those in trusteeship include:

Birmingham, Alabama;
Fairbanks, Alaska (trusteeship enjoined by Federal Court);
Tucson, Arizona;
San Francisco, San Jose, Redding, Santa Barbara, and Oroville, California;
Denver, Colorado;
Hartford, Connecticut;
Greater Miami Area, Florida;
Honolulu, Hawaii (both locals);
Belleville, Springfield, and Joliet, Illinois;
Minneapolis-St. Paul, Minnesota;
Missoula, Montana;
Omaha, Nebraska;
Las Vegas and Reno, Nevada;
Newark, New Jersey;
Albuquerque, New Mexico;
Binghampton and Monticello, New York;
Eugene, Oregon;
Dallas, Texas; and
Green Bay, Wisconsin.

I swear under penalty of perjury that the foregoing is true and correct and that this affidavit was executed on the 15th day of December, 1978, at Oakland, California.

DAVID L. MCDONALD.

Subscribed and sworn to before me this 15th day of December, 1978.

DANIEL M. SIEGEL,
Notary Public.

ATTACHMENT NO. 2B

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

No. C 78-2642 SAW

DAVID L. MCDONALD, PLAINTIFF,

vs.

HOTEL AND RESTAURANT EMPLOYEES AND BARTENDERS INTERNATIONAL UNION, DEFENDANTS.

ORDER AWARDING ATTORNEY'S FEES AND COSTS

On November 14, 1978, plaintiff David L. McDonald brought this suit against defendant Hotel and Restaurant Employees and Bartenders International Union to enjoin the continued imposition of a trusteeship over Local 2 of that Union. Plaintiff's claims were based upon Title III of the Labor-Management Reporting and Disclosure Act of 1959, § 304, 29 U.S.C. § 464 (1976). The trusteeship had been

imposed on October 16, 1978, following a period of intense internal debate and conflict between two factions of Local 2, one supporting plaintiff, who had been elected president on April 11, 1978, and the other supporting the former president, Joseph Belardi.

On April 13, 1979, the litigation culminated in a Court order requiring the International to conduct a new election for officers of Local 2, and providing that the trusteeship be lifted upon certification of that election by the Department of Labor and approval of the certification by the Court. On December 7, 1979, this Court decreed that the persons named in the certification were duly elected and ordered that the case be dismissed with prejudice.

Plaintiff now moves for an order directing defendant to reimburse him for reasonable attorney's fees and costs incurred in the prosecution of this suit.

A plaintiff who prevails in a suit brought to overturn a trusteeship may recover costs and reasonable attorney's fees. *McDonald* v. *Oliver*, 525 F.2d 1217 (5th Cir. 1976), *cert. denied*, 429 U.S. 817; *cf. Hall* v. *Cole*, 412 U.S. 1 (1973) (holding award of attorney's fees proper in suit under Title I of the Act). The equitable jurisdiction of the Court to award attorney's fees is as broad under Title III as it is under Title I of the Act. Furthermore, the "common benefit" rationale of *Hall* v. *Cole* is equally applicable to Title III suits. *McDonald*, 525 F.2d at 1226–28.

There has been no final determination in this case as to the validity of the trusteeship. Nor has there been a trial on the merits. However, the election of May 30 and 31, 1979, and its certification by the Department of Labor, effectively terminated the action, which was then dismissed by the Court. Therefore, this is an appropriate time to consider awarding attorney's fees and costs. *Benda* v. *Grand Lodge of the International Association of Machinists & Aerospace Workers*, 584 F.2d 308 (9th Cir. 1978), *cert. dismissed*, ____ *U.S.* ____, 99 S.Ct. 2065 (1979); *Yablonski* v. *United Mine Workers of America*, 466 F.2d 424 (D.C. Cir. 1972), *cert. denied*, 412 U.S. 918 (1973).

In his suit, McDonald alleged that the former president of Local 2, Joseph Belardi, had with his supporters conspired to disrupt the affairs of the Local under McDonald's leadership so as to create a condition whereby the International could impose a trusteeship. McDonald claimed that the International had placed Local 2 in trusteeship on October 16, 1978, in order to restore Belardi to power. In November the trustee, Vincent Sirabella, discharged McDonald and the Local's vice president, Winston Ching. McDonald moved for a prelminary injunction to prevent the International from enforcing the trusteeship and to restore himself and Ching to office.

The Court denied that motion on December 22, 1978, after considering evidence which made it clear that the hostility between the two factions of Local 2 had made it virtually impossible for the Local to conduct its business. Membership and Executive Board meetings were chaotic and futile; the day-to-day affairs of the Local suffered; and obligations to rank and file members were neglected. Even though continuation of the trusteeship caused the members of Local 2 to suffer, "in that their local union [was] no longer governed by the elected officers," the Court held that the balance of hardships did not tip in favor of issuing the injunction because "if the trusteeship were . . . lifted, the chaotic conditions . . . would probably resume. . . . [G]ranting the injunction would cause as much harm as would denial." Even if the discharges of McDonald and Ching were later found to be illegal, their injury would not be irreparable.

In denying plaintiff's motion for a preliminary injunction, the Court held that plaintiff had not shown probable success on the merits because the record demonstrated "that the International acted permissibly to restore order to a local in which the governing process had broken down and the local's obligations to its members were suffering." The Court further stated that the record did not support plaintiff's assertion that the International had acted in bad faith to restore Belardi to power. Under the circumstances, "the International could reasonably have believed that the trusteeship was the only effective solution."

Defendant argues, based upon this procedural history, that plaintiff did not prevail in this suit. This argument is flawed because it overlooks the following portion of the Courts' order denying the motion for a preliminary injunction.

> It is clear to the Court that the best remedy for the troubles confronting the parties is a new election of officers, conducted fairly and with the assistance of the Department of Labor. Therefore, this denial

> is without prejudice to a new motion for a preliminary injunction if the International fails to provide for such an election within the next four months and for the prompt transfer of power to the officers thereby elected.

The International disregarded the Court's suggestion. Plaintiff accordingly renewed his motion for a preliminary injunction and, as noted earlier, on April 13, 1979, the Court ordered that a new election for officers of Local 2 take place on May 30 and 31, 1979. In that election, Charles Lamb was elected president of Local 2.

Plaintiff has in fact prevailed in this lawsuit. " '[E]ffectiveness in terms of practical results' should be the key to deciding whether one party has prevailed over the other." *Benda* v. *Grand Lodge*, 584 F.2d at 318 (quoting *Yablonski* v. *United Mine Workers*, 466 F.2d at 431). Plaintiff's efforts resulted in the Court taking action to end the trusteeship of Local 2. Autonomy and democratic processes were restored to Local 2. Moreover, the trusteeship was lifted, and it was lifted sooner than it would have been without Court intervention resulting from plaintiff's action.

Defendant also argues that this is not an appropriate case for requiring it to pay counsel fees because there has been no finding of bad faith. Defendant relies upon *McDonald*, which held that awarding fees against the local union merely shifts the costs of litigation to the class that benefited from it," but that fees should not be awarded against an international union unless it acted "in bad faith, vexatiously, wantonly, or for oppressive reasons." 525 F.2d at 1227–28.

However, fees against international unions can be justified under a common benefit rationale, without any finding of bad faith.[1] " 'Fee shifting' is justified in these cases, not because of any 'bad faith' of the defendant but, rather, because '[t]o allow the others to obtain full benefit from the plaintiff's efforts without contributing equally to the litigation expenses would be to enrich the others unjustly at the plaintiff's expense.' " *Hall* v. *Cole*, 412 U.S. at 5–6 (quoting *Mills* v. *Electric Auto-Lite Co.*, 396 U.S. 375, 392 (1970)).

In this case, plaintiff's lawsuit and the resulting election unquestionably benefited Local 2 by returning its management to elected leaders. The International also benefited by the lifting of the trusteeship and the restoration of democratic processes to Local 2. This saved the International from the continuing expense of maintaining the trusteeship and served its independent interest in seeing that its local affiliates are autonomous and democratic—an interest reflected in the constitution of the International.[2] Article VI, section 1(a) of that constitution states that an objective of a trusteeship is "restoring democratic procedures" to the local. Article X, section 29 provides for autonomy of local unions.

Since plaintiff is entitled to attorney's fees under the common benefit rationale, the Court does not need to make a determination that the International acted in bad faith.[3]

Through plaintiff's lawsuit, order and democracy were restored to Local 2. That benefited both the Local and the International. For the foregoing reasons, it is hereby ordered that defendant reimburse plaintiff for his reasonable attorney's fees and costs of prosecution.

Dated: April 8, 1980.

STANLEY A. WEIGEL,
Judge.

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[1] *See Cross* v. *United Mine Workers of America*, 353 F. Supp. 504 (S.D. Ill. 1973); *Burch* v. *International Association of Machinists & Aerospace Workers*, 337 F. Supp. 308 (S.D. Fla. 1971); *Robins* v. *Schonfeld*, 326 F. Supp. 525 (S.D. N.Y. 1971).

[2] Constitution of the Hotel & Restaurant Employees and Bartenders International Union (July 26, 1976).

[3] It may be noted in this connection that certain facts in the record suggest that the International's good faith was not untarnished, even though the trusteeship appeared to have been imposed for adequate reasons. For example, defendant did not hold the election as recommended by the Court's order of December 22, 1978. Neither did the International nor its trustee maintain a neutral position in the dispute between the two factions of Local 2. While the Court found that the trusteeship may have been proper, there is also evidence to suggest that the International was not free from contribution to the hostile situation that necessitated imposition of the trusteeship.

ATTACHMENT NO. 2C

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 80–4185, D.C. No. C–78–2642

DAVID L. MCDONALD, PLAINTIFF/APPELLEE,

vs.

HOTEL, RESTAURANT EMPLOYEES AND BARTENDERS INTERNATIONAL UNION, DEFENDANT/APPELLANT.

MEMORANDUM

Appeal from the United States District Court For the Northern District of California—Stanley A. Weigel, District Judge, Presiding: Argued and submitted, October 13, 1981. Before Merrill and Fletcher, Circuit Judges, and Claiborne,[1] District Judge.

The Union appeals from an award of attorney's fees and costs to McDonald, the prevailing party. The Union urges that the trial court was without jurisdiction to entertain a motion for attorney's fees and costs past the ten (10) days provided in the court's local rule 265–2. Attorney's fees ancillary to a case survive independently under the court's equitable jurisdiction and the motion may be heard even though the underlying case has become moot. *Williams* v. *Alioto*, 625 F. 2d 845 (9th Cir. 1979); *Reiser* v. *Del Monte Properties Co.*, 605 F. 2d 1135 (9th Cir. 1979).

The Union further argues that attorney's fees may not be imposed on Defendant International Union in an action ivolving a trusteeship of a local union in the absence of bad faith or improper motives on the part of the International Union.

The trial court properly applied the "common benefit" doctrine in determining that McDonald had prevailed in his action which resulted in the taking of action which terminated the need for trusteeship and caused court intervention thereby resulting in a benefit to the International Union. Although this court has not ruled squarely on the issue, it has cited *McDonald* v. *Oliver*, 525 F. 2d 1217 (5th Cir. 1976), *cert. denied*, 429 U.S. 817, with at least tacit approval in *Benda* v. *Grand Lodge of International Assn. of Machinists & Aerospace Workers*, 584 F. 2d 308, 318 (9th Cir. 1978). *McDonald* v. *Oliver* applied the "common benefit" rationale in awarding attorney's fees to a prevailing party Under Title I of the L.M.R.D.A. and *Hall* v. *Cole*, 412 U.S. 1, and extended it to actions under Title III.

The proper focus should be whether a benefit has inured to the International Union which would justify "fee shifting." The trial court correctly found in the affirmative.

Affirmed.

Judge Merrill dissents being of the view that the common benefit rationale does not support an award of fees against the International Union.

[Newspaper article from the San Francisco Examiner and the San Francisco Chronicle relating to the above follow:]

[From the San Francisco Examiner, Feb. 15, 1977]

BELARDI'S UNION MEETS DISSENT

(By Dick Nolan)

Some of the lowest paid workers in town belong to one of the freest spending unions around—the culinary workers. Up top, the union is lavish with salaries, expense accounts, allowances and extras for a close-knit army of officials. (They bought a Rolls-Royce for a retiring president to go with his 100 percent pension.) Down below, where the workers scratch out a living, the union business seems to consist mostly of gouge.

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[1] Honorable Harry E. Claiborne, United States District Judge, District of Nevada, sitting by designation.

Union members, for any number of reasons, tend to be pretty meek, but in the culinary ranks here some of them are trying hard to regain control of their lives. The rest of us, the preoccupied public-at-large, of course ignore the fight. What's it to us if the feds, for example, just file away those incredible financial reports from the culinary union and its affiliate locals? Do we write letters to our congressmen and the President? Do we give a damn whether federal law presumably passed to regulate the conduct of the unions is enforced? Don't be silly.

They are holding an election today among members of Local 2, Hotel and Restaurant Employes and Bartenders Union, San Francisco. The big amalgamated union has been overspending. The officials want to raise everybody's dues again, this time by $2 a month.

Local 2, formed by merging six smaller locals into one big one, is headed by Joe Belardi. The last available federal report shows Belardi collecting something over $54,000 a year from the local and the international. It is quite common for union big shots to hold two or more salaried jobs, with perks and pensions attached.

In passing, to get an idea of how the union business works, Belardi's big local here can transact official business with a quorum of 100 members at any meeting. There are 86 Belardi people on the union payroll as officials or employes, all voting members.

In San Francisco, Belardi is the local satrap for a real high flier. Ed Hanley, president of the international. The last convention of the union doubled Hanley's salary, making it $100,000 a year. He also gets a 100 percent pension any time he retires, moves over, or however you want to state it.

Hanley's most astonishing accomplishment so far has been to reduce the union's assets from $21 million to $14.5 million while at the same time effecting a loss in union membership.

Hanley's administration also took union assets out of government bonds and put them into huge real estate loans. Four millions' worth of these, in two big loans, are in default, and a third at another $2 million is delinquent, according to the last government filings.

One of the defaulted loans went to Morris Shenker's Murrietta Hot Springs development in Riverside. It was for $2 million. Shenker, who used to be Jimmy Hoffa's lawyer, also got huge sums from the Teamsters and from the pipefitters' union in St. Louis. The last time we dealt with that St. Louis outfit here it was in connection with a campaign contribution to Joe Alioto, our ex-mayor.

Hanley's union contributed $25,000 to an Alioto campaign fund, in our last accounting. It also gave Gov. Jerry Brown $25,000.

Far removed from all this big money, the rank and file members are voting today on whether to submit to another dues nudge. It will be interesting to see how it comes out.

[From the San Francisco Examiner, Feb. 16, 1977]

GOLD, DIAMONDS AND DISHWATER

(By Dick Nolan)

At the start of the convention Ed Hanley was presented with a diamond studded gavel.

"It has your initials in diamonds," said Joe Belardi. "Diamonds represent value, strength and brilliance."

Ed Hanley is the ex-bartender who is now the general president of the Hotel and Restaurant Employes and Bartenders International Union. Joe Belardi heads Local 2 here, and is also on the international payroll.

The working members of this union include some of the lowest paid people in the country. But up top, where the money is, it's diamond-studded gavels and gift Rolls-Royces. Also fat salaries, lavish expense accounts, and pensions computed at 100 percent of salary.

This particular convention was a special one, held here in San Francisco one December week in 1974. Its immediate objective was to wring more money out of the membership, and to grant sweeping powers to Hanley.

A voice of dissent was heard. Joseph Massimo, a delegate from Seattle, said, "You are taking our democratic rights away by not giving us a chance to vote. You are not God. You are not running the United States. The people should have a right to speak."

Brother Massimo was set straight. Ed Hanley said, "Now, it is not my desire to be a god or to have total authority, but in the event that I have to act in that fashion, by God, I want the authority to do it."

The convention gave him what he wanted. And to go with the diamond studded gavel—after voting down a petitioned increase in death benefits for union members—on the second day of proceedings the convention gave Hanley a pair of gold cufflinks.

Supervisor Terry Francois filled the delegates in on how the old power politics worked in San Francisco. ". . . I'm smart enough to know that you are supposed to 'dance with the guy who bring you,' " said our San Francisco supervisor. ". . . I have received the support of the culinary unions ever since I have been in office, and I have got enough good sense to know that to stay in politics and to survive you have got to recognize your friends . . ."

There was much other sweet talk, not all of it dealing so openly as Francois did with the quid-pro-quo aspect of union politics. But when all of it was over, Hanley's diamond studded gavel had rapped out a series of important constitutional changes. They followed the general design first woven by the missing (presumed dead) Jimmy Hoffa, when Hoffa was establishing his Teamsters dictatorship.

Hanley got power to hire and fire executive board members, high union officials, lucrative rewarded organizers—all the control jobs in any Big Labor operation.

He got effective power to merge or abolish culinary union locals, and to put them under direct control of GHQ through designation of trusteeships.

He got a thoughtfully worded amendment that opened the union treasury to hire lawyers to defend union officials either against criminal charges, if any should arise, or civil lawsuits from whatever source—including dissident union members who perhaps might have $14.95 between them to file a lawsuit.

Importantly, he went for the big money in an amendment establishing big GHQ pension and welfare funds, presumably to take the place of hundreds of local funds. It was a historic meeting here : No mistake about that.

[From the San Francisco Examiner, Feb. 18, 1977]

The Waiters Are Talking Back

(By Dick Nolan)

This is a convention town, as the owners and operators of San Francisco like to remind us. Which means it is a hotel and restaurant town. Which means that whoever controls the labor market for hotels and restaurants is in the old catbird seat.

Which brings us right to Joe Belardi, who for years and years has been the Grand Pooh-Bah of the culinary workers', hotel workers', and bartenders' unions.

The rest of us don't pay much attention to the Belardis of this world, nor to their dues-payers in the unions. I rather suspect this is the fault of us ink-stains, because there is inherent drama in power and oppression, and power is what Belardi's got, and oppression is how large numbers of his members see the deal they get from Joe and the employer groups.

Only the other day, Belardi faced open revolt, finally. The peasants riz, and Belardi retreated, drawing up the bridges behind him.

There are heavier issues underlying all this, but the immediate occasion of the rebellion was Belardi's proposal to boost the dues $2 a month.

According to union members, Belardi bangs a heavy gavel at union meetings, and he was confident enough in the weight of that hammer to schedule an open referendum on the dues matter. The union was called into session in a series of meetings at the Towne House Hotel on Tuesday.

It turned out that these were not the lightly attended yes-sessions that may have been expected. Hundreds of workers turned up at each of the sessions, and those hundreds added up to thousands by the time the last one was over, and the thousands were in a surly mood.

Belardi, taking note of the tone of the very first session, decided by edict that there was going to be no vote, after all. If the members did not intend to vote "yes" as they were supposed to do, then there would be no vote at all. Members

who protested were gaveled down with the ruling. "Sit down and shut up, you're out of order!"

So it went. This time dissident union members who have been trying to regain control of their working lives faced up to Belardi and forced him to retreat. What he'll do next in the struggle is certain to be interesting.

Belardi, mostly as a matter of heavy power politics in the upper echelons of the labor business, is presently head of Local 2, a big union created here out of the merger of six smaller locals. There won't be a formal election affecting Belardi until some time next year, assuming the big international doesn't put the whole shebang under trusteeship, as was done in Los Angeles.

At least one bunch of members from one of the merged unions has not had a chance to vote on union officers since 1971.

Belardi draws salaries and allowances both from the local here and from the international, which is headquartered in Cincinnati, although the international president, Ed Hanley, appears to spend most of his time in Chicago and Palm Springs. Belardi's take from these sources amounts to more than $54,000 a year.

Hanley draws about three times as much, and enjoys such tidy little extras as a private airplane and union-paid crew to ferry him here and there. Others of the In Bunch do proportionated well.

That's the union business, in a union whose members are among the lowest paid workers in the country, and who are now, it seems, getting restless.

[From the San Francisco Examiner, Feb. 22, 1978]

BELARDI FOES FOR REAL

(By Dick Nolan)

"Arf!"

Now there's a hell of a rallying cry for you.

It goes with a slogan: "Watchdogs—not fat cats."

And what it's all about, students, is the continuing revolt of the rank-and-file against the Joe Belardi regime in the local culinary union.

"Art!" is the bark of the aroused watchdog, all right. It is also the acronym for "Alliance of the Rank & File," which is what an anti-Belardi movement calls itself.

The last time the membership got up on its hind feet and snarled was when it voted down Belardi's proposal for a dues increase. That was only months ago.

Now they're organizing a complete slate of candidates to unseat Belardi and his associates.

The membership is a little rusty about elections and how to go about having them, because the last time the waiters and waitresses got to vote in one was eight years ago!

But they're getting together, and even raising some funds to buy a few reams of paper and such to let the world know what they are trying to do. Dissidents in events like this one are always on the short end of the money odds.

Belardi is no small timer, as union clout is measured. He is a charter member of The Big Cigars, as evidenced by his holding an international vice presidency under Ed Hanley, besides his local office, and he is also president of the San Francisco Labor Council.

You can figure how Belardi fits because it was he, none other, who presented the gavel to Hanley at the key convention along the lines of the model invented by the late Jimmy Hoffa for his Teamsters.

The gavel, be it noted, was sentimentally inscribed with Hanley's initials—in diamonds.

When it comes to an outpouring of sentiment, one for another, the Cigars do not fool around with any cheap stuff. Arf!

The Hotel and Restaurant Workers Caucus is holding an important fund-raiser at California Hall, the old German House, at 625 Polk Street on Saturday, March 4, from 8 p.m. to 2 a.m. The $5 ticket buys admission to a pretty lively entertainment program, featuring the S.F. Mime Troupe, Michael Bloomfield, Rick & Ruby, Mark Naftalin, and Salsa de Berkeley.

While we are considering slogans ("Arf!") we could well mull the Mime Troupe's—"Engagement commitment and fresh air."

Belardi, for his part, has been doing a little something, too. In time for the election he has quit assessing the members that $1 a month nudge for something called The Defense Fund. Members have been sore about that fund for a long time, some asserting they can get no clear idea of where, when and how much of the fund gets spent.

The program advanced by the rebels is simple enough. As stated by ARF, it's first to dump Belardi and "elect rank and file members who will work for the members."

The platform calls for cutting the salaries of union officials to put them in line with the pay scales of members who work for a living at the trade.

It calls for eliminating the special pension plan set up for officials, and the $75 a week allowance paid to officials. It proposes to limit terms in office.

With San Francisco's economy firmly based on the tourist trade, people who work in hotels, bars and restaurants make up a very important segment of the city's work force. What happens here is important to all of us, not only to the members of the Belardi-dominated union.

[From the San Francisco Examiner, Apr. 14, 1978]

PROBLEMS OF DEFEAT

(By Dick Nolan)

Well, the members of Local 2, the big union of hotel and restaurant workers, dumped Joe Belardi and chose themselves a new president. And this took a lot of people by surprise, including those politicians who have courted Belardi through the years.

Local 2, as a big membership union, packs an enormous amount of weight in determining where Big Labor's political endorsements go. That is to say, under the management now terminated, Joe Belardi's weight was what counted, for practical purposes.

Both locally and in state elections, no union endorsement was more avidly sought than that of the culinary workers.

When Joe Alioto, our former mayor, was trying for the Democratic nomination for governor, he rather counted on Belardi to deliver the big endorsement. As it turned out, former governor Pat Brown still had a lot of uncashed credits as well, though, and he put them on the line for his son, Jerry. The endorsement was split. It was the source of some pretty bitter infighting.

Belardi's future as a political VIP now depends less on what the members of Local 2 have done and will do than on how well Belardi's connections with the international, and General President Ed Hanley, now continue to wear.

Beyond that, the Belardi fortunes are tied in with the Hanley fortunes, and how well they weather. As with the Teamsters, the welfare and pension fund investments of the big culinary international have been attracting a lot of attention from the feds, who are charged with seeing to it that interests of the rank and file are protected.

"It was for the workers to make the decision," said Joe Belardi tersely, "Good or bad. They've made it. Let's see what happens."

But they only made a partial decision, so far as the ousted union president is concerned.

Belardi is his union's delegate to the Central Labor Council, which for all practical purposes IS Big Labor in San Francisco. The election didn't change that.

As delegate to the Council, Belardi stays in office as president of that Council. His term runs through 1980, unless the local, by some maneuver not yet contemplated, finds a way to replace him as its Council representative.

Besides that, Belardi is a vice president of the international and a member of the executive board under Hanley. The local election didn't change that, either.

The new leadership of the big local will likely have its hands full in coming to terms with the external politics of traditional Big Labor here and at international GHQ.

The reform campaign, in any case, was centered on internal affairs of the union. It was not a grab for the kind of power that comes from wheeling and dealing in endorsements of candidates, Democrats mostly. The platform calls for such things as cutting back on lavish salaries and allowances of the union's of-

ficials, election of business representatives, and a firmer and more unified stand in dealing with employers, in order to raise the living standards of culinary workers here.

At the moment, it is interesting to observe, old line wheels of the Democratic party in San Francisco have been working diligently with their old labor contacts, the object being a kind of purge of the uppity new breed of Democrat here, the coalition people.

The Belardi defeat represented a setback for the old power elite. But whether its effect will be translated into corresponding gains for the neighborhood and ethnic organizations is far from clear as yet.

As noted, the new leadership of the big culinary union has its own internal problems as a top priority matter. There wil be a learning process as they come to see how external alliances can be used to help them accomplish their internal objections.

[From the San Francisco Examiner & Chronicle, Nov. 19, 1978]

IT DEPENDS

(By Dick Nolan)

Are union members peons and bond-slaves, or are they free Americans with a voice in their own affairs?

Depends on the union.

In San Francisco, at the moment, we are witnessing what can happen when a union's rank and file membership gets a mite too uppity in asserting its claim to independence.

The union concerned is Local 2, Hotel and Restaurant Employees and Bartenders.

As the local's stationery adds: "Subordinate to Hotel and Restaurant Employees' and Bartenders International Union."

"Subordinate" is the key word.

The International has, in effect, suspended all democratic proceedings within the union by dispatching a high honcho from HQ to seize control. The process is known as "trusteeship." It is imposed, not voted.

The appointed trustee is a bloke named Vincent J. Sirabella, who runs a union local in New Haven, Connecticut.

Upon his arrival here, Sirabella promptly suspended the elected officers of Local 2, issued an order forbidding them to talk to the press, issued an order to staff and officers forbidding them "to retain a lawyer or go to a lawyer on any matter pertaining to Local 2 without the approval of myself."

He followed this series of edicts by the outright firing of David McDonald, a cook who had had the consummate bad taste to get himself elected president of Local 2, upsetting the old regime of Joe Belardi.

Belardi, ousted as president by a vote of the members, nevertheless retained his additional paid post as an International vice president. Belardi also continued to serve as president of the San Francisco Labor Council. He's quoted in the press reports as saying that if there's another election, he'll run to get his old job back again, the one the members fired him from.

What goes on within Local 2 is a matter of practical concern beyond the civics lesson provided.

San Francisco is a tourist and convention city. Its hotel and restaurant industry employs a lot of people who make good wages, and also a lot more who are among the lowest paid workers in the city. Important economics are involved.

The rumblings of revolt against Belardi's regime grew loud early last year when the membership voted down a dues increase proposed by the officers.

There was prophecy in the warning issued by one of the executive board members:

"I want you to know the International will not let Local 2 go bankrupt," he told the members through this column, in what he termed a rebuttal. "The International will place this local in trusteeship. Under trusteeship the bylaws of the

Local are suspended. No Union Meetings, No Union Elections, No Voice . . . Furthermore, the trustee can and surely will, Raise Your Dues Without Your Vote."

The capitalization was his.

The members ignored the message and voted down the dues increase. Dissidents within the union geared up for the bigger test to follow, the campaign to unseat Belardi and install a new union administration.

In the upshot, Belardi got bounced, but Belardi allies on the unions board of trustees stayed in place. The new president, McDonald, found himself boxed in between these trustees and a large part of the union's paid staff.

McDonald says that what happened next was part of an organized plan to knock him out of the game.

"Immediately upon my election," he says, "these forces began a conscious plan to disrupt union affairs, render me ineffective as president, and cause the international union to place the local in trusteeship."

McDonald took his complaints to International President Ed Hanley, the high-flying ex-bartender who, in 1974, rammed through a reorganization plan modeled on that of the Teamsters, designed to put near-dictatorial powers firmly in his hands.

"It is not my desire to be a god or to have total authority," said Hanley at the time, "but in the event that I have to act in that fashion, by God, I want the authority to do it.!"

Minutes of the meeting note that this was greeted with loud applause from the union officials present.

Prominent among those officials was Joe Belardi, who had inaugurated the conclave here in San Francisco by presenting Hanley with a diamond studded gavel.

It may seem to the casual observer that McDonald was being somewhat naive in looking to Hanley for help in reordering the affairs of Local 2.

McDonald asked the international to process charges that had been filed against some of the Belardi hold-overs. The international did nothing.

Instead it was suggested that McDonald seek something called "administrative assistance," in which the international would send in some skilled people to help.

McDonald finally proposed this, and the request was formally approved by Local 2's executive board, with the notable concurrence of the Belardi people on the board.

What followed, McDonald says, was "betrayal." Instead of administrative assistance, he got Sirabella, a trustee. Then, as noted, he got fired.

Thus, at this writing, the democratic uprising in this big San Francisco union has been effectively quelled. Belardi, by his own account, is patiently waiting the opportunity to regain his old control, "if there is another election."

McDonald, meanwhile, has turned to the courts for some assistance and relief. Contending that the trusteeship is illegal, he has hired a law firm to file suit, seeking an injunction against the action taken by Hanley.

Are union members peons and bond-slaves? You'd guess from the record that in this case, anyway, they are a long way from being in control of their own lives. Perhaps it would be kinder to see them as children, for whom father—Hanley—knows best.

As I have noted often, the road to union democracy is rarely easy.

[From the San Francisco Chronicle, Nov. 10, 1978]

CULINARY UNION'S TRUSTEE CHALLENGED

(By Jackson Rannells)

The ousted President of San Francisco's 17,000-member culinary union launched a campaign yesterday to overturn the trusteeship that has placed the local under control of an international officer of the union, Anthony Sirabella.

Defying a gag order by Sirabella, David McDonald held a press conference at union headquarters and announced plans to file a lawsuit challenging legality of the trusteeship.

McDonald also urged members of the hotel, bar and restaurant workers' union to actively oppose the trusteeship.

Sirabella was out of town. Debbie Anderson, an aide he brought from Los Angeles, tried without success to block the press conference.

McDonald said he expected to be fired from his $18,000 a year staff job for the defiant action.

Sirabella stripped McDonad and all other officers of the local of their titles and powers when he took over six weeks ago. He kept them on the payroll as staff aides as long as they helped him cool strife within the local.

Sirabella fired former vice president Winston Ching last week for insubordination. Ching had defied orders and gotten involved in a hotel speedup grievance that Sirabella assigned to someone else, the trustee said.

McDonald and Ching were among members of a rank-and-file slate that ousted longtime leaders of the local in elections last April.

McDonald charged yesterday that the trusteeship was simply a ruse to restore the old leadership to power.

He charged that Sirabella had brought back the law firm that handled the local's business under former President Joseph Belardi, that he was supporting the international's proposal that San Francisco $26 million pension fund be merged into a national fund and that he was red baiting the political leftists on the McDonald slate.

Ching's firing is only a first step in which "so-called progressives will be knocked off one at a time," the 44-year-old former St. Francis Hotel chef said.

[From the San Francisco Chronicle, Nov. 15, 1978]

Unity Plea for a Warring Union

(By Jackson Rannells)

Anthony Sirabella, the trustee who has been running San Francisco's internally torn, 17,000-member culinary union for the past two months, urged its warring factions yesterday to unify "before you destroy this local."

Sirabella's unity plea—which evoked lukewarm to openly hostile reactions—came during the first membership meetings since he was appointed trustee by international president Edward Handley on September 18.

The imposing, veteran union leader from New Haven, Conn., struck a middle line between supporters of long-time leader Joseph Belardi and the several rank and file blocs that helped cook David McDonald oust Belardi in elections for president last April.

Belardi's supporters applauded his criticism of "looseness" in the local's administrative office and hiring hall—a slap at McDonald.

But he won applause from the generally young militants of the other factions when he came out strongly for two of their longstanding demands—a strong shop steward system and rank-and-file representation on negotiating committees.

Sirabella repeatedly cautioned against following "uniformed" activists who he said have been pressing to substitute wildcat strikes or slowdowns for orderly grievance procedures.

He branded as "a contemptible lie" McDonald's charge that Sirabella was bringing back the law firm that had served Belardi. An accusation that he supported merging the local's $26 million pension fund into the union's national pension plan was also a lie, Sirabella said.

Ms. CART. On May 30 and 31, 1979, local 2 held its election for officers. The vote for president was split between the two dissident candidates, David McDonald and Ed Forcier, and Charles Lamb, who was clearly backed by the international union. Charles Lamb won the election. The dissident group immediately filed a lengthy list of election irregularities with the Department of Labor which refused to order a new election on grounds that the election results were not likely to be substantially altered.

In 1980 collective bargaining negotiations between the union and the Hotel Employer's Association broke down and local 2 went on strike. Although Charles Lamb, as president of the local, was technically the chief negotiator for the local, it appears that Sirabella, who had remained at local 2 after the trusteeship was terminated, actually played the dominant role in the bargaining process.

President Charles Lamb has been deposed by the chief counsel of the subcommittee. We are currently awaiting receipt of the corrected draft of that deposition and I ask that the record be left open until such time as the deposition can be made available.[2]

Also, I have several declarations from the members of the local. We are still awaiting at least two other statements which should be returned in the next few days.[3]

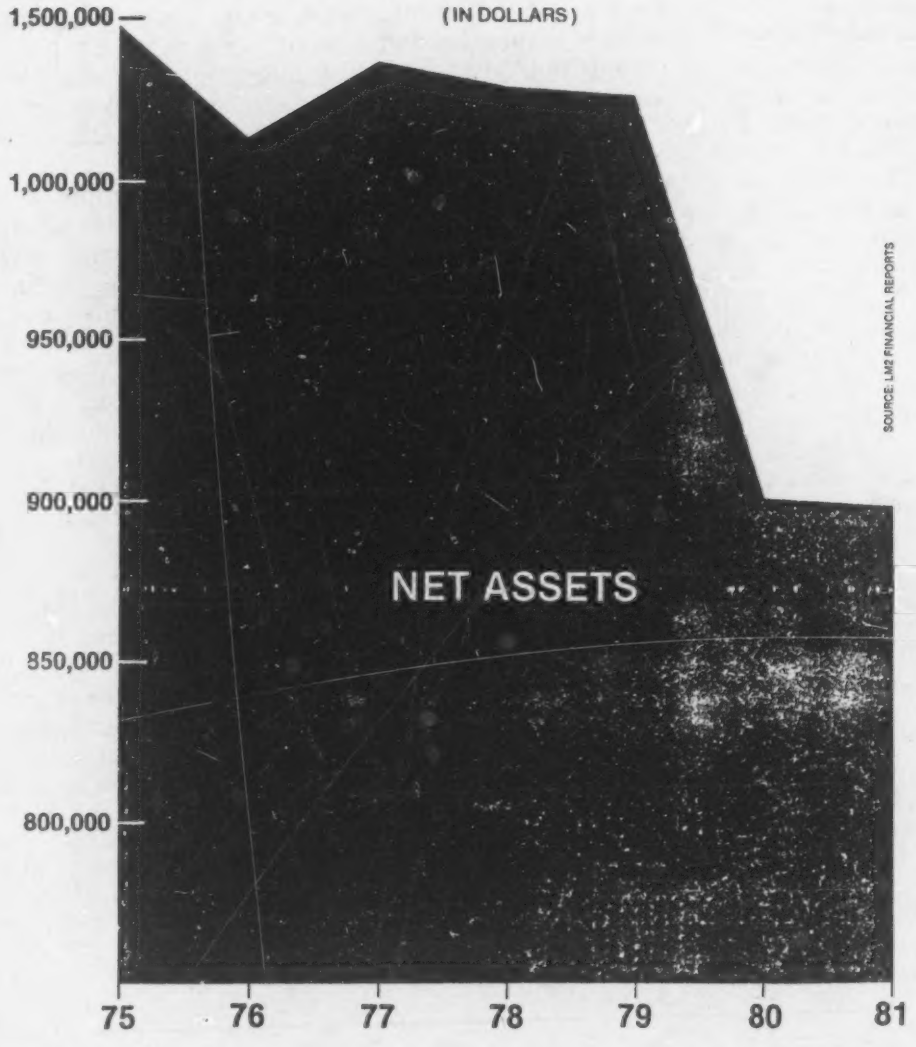
Chairman ROTH. The record will be kept open.

Ms. CART. Finally, despite Hanley's statement alluding to the benefits of merging the five San Francisco locals, the record in San Francisco at the very least leaves the question open. Records show that from 1976 to 1981 membership declined by 24 percent even though average employment in the hotel industry increased by 21 percent. Even more startling, however, is the chart showing the decrease of local assets from $1,130,798 in 1976 to $892,932 in 1981. This represents a 21-percent decrease in funds despite a 36-percent increase in the monthly membership fees charged, and a 15-percent increase in dues collected.

[The chart referred to follows:]

[2] The deposition of Charles Lamb may be found in the Appendix on p. 189.
[3] The declaration of Mike James and John Orler is reprinted, and may be found in the Appendix on pp. 224 and 225.

LOCAL 2, SAN FRANCISCO



Ms. CART. In conclusion, Mr. Chairman, I would like to mention several legislative recommendations submitted by Mr. Jonathan Palewicz,[4] attorney for the Grand Coalition to Save Local 2. a loose association of local 2 members:

One. Pass S. 336—the Labor-Management Racketeering Act of 1983. This legislation is essential. In the HEREIU, General Secretary-Treasurer John Gibson remained in office for years after his conviction for embezzling union property,

[4] The declaration of Jonathan Palewics is reprinted, and may be found in the Appendix on p. 226.

and retired on his guaranteed full salary for life only after all of his appeal routes were exhausted. Union leaders, as well as management and government officials, should be suspended from the performance of their duties unless and until their felony convictions are overturned, or until the 5-year bar to holding office, presently part of the LMRDA, has passed.

Two. Strengthen enforcement of sections 104 and 105 of the LMRDA. Section 104 of the Landrum-Griffin Act requires labor organizations to make copies of collective bargaining agreements available to members covered by them and who request them.

Section 105 of the Landrum-Griffin Act requires that all labor organizations inform their members of the provision of the LMRDA.

Section 104 is quite often ignored by unions around the country, and after 9 years of searching, I know of no union that regularly and systematically complies with section 105.

Both of these sections are part of title I of the LMRDA, which is also known as the union members' bill of rights. Rights are often meaningless if they are not known or are overly difficult to enforce.

I propose that each year every labor organization be required to send each member a copy of the collective bargaining agreement under which he or she works, as well as a copy of the LMRDA and the easily readable summary approved by the U.S. Department of Labor. New members should be provided copies at the time they join the union.

Three. Amend the LMRDA in favor of direct participation by members. Since 1959 many labor organizations, including the HEREIU, have circumvented the various safeguards for members intended by the authors of the Landrum-Griffin Act. Members often feel disenfranchised and isolated from both their local and their international when key decisions and changes are being considered. I propose the following changes to the LMRDA in order to bring these organizations and their government back into the hands of their memberships.

Four. Broaden the scope of judicial review of a decision by the Secretary of Labor to decline to challenge a union election in court. At present title IV of the LMRDA covers the conduct and review of internal union elections. Members of a labor organization have the option of invoking the assistance of the U.S. Department of Labor once they have pursued their internal union remedies for 3 calendar months. The Department of Labor is then empowered to investigate the election to see if there were violations of the law and if such violations probably affected the outcome of the election. If the Department of Labor's determinations as to these questions are in the affirmative, then the Department has 60 days from the time the member filed with the Department to file suit in Federal courts to overturn the election and secure a rerun. If the Department of Labor determines that, despite violations, the outcome of the election probably was not affected then, under present case law, only a highly limited and wholly insufficient review of the Secretary's decision is possible in Federal court.

I would specifically propose that Congress amend title IV of the LMRDA to provide for a standard judicial review of adverse determinations of the Secretary of Labor equivalent to that which is established for judicial review of determinations of the National Labor Relations Board.

Five. Amend the Labor Management Relations Act to fully insure the preservation of statutory labor law rights for organized workers. Congress should specify that, as a matter of Federal labor policy, no collective bargaining agreement or State or Federal law shall permit lower standards for organized workers than for unorganized workers covered by the law.

Chairman ROTH. Thank you for your very excellent testimony and those recommendations. They will, of course, be included as part of your statement.

Ms. CART. Thank you, Mr. Chairman.

Chairman ROTH. The subcommittee will be in recess.

[Member present at time of recess: Senator Roth.]

[Whereupon, at 11:55, the subcommittee recessed, to reconvene at 10 a.m. Thursday, April 28, 1983.]

HOTEL EMPLOYEES & RESTAURANT EMPLOYEES INTERNATIONAL UNION

THURSDAY, APRIL 28, 1983

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 10 a.m., in room SD–342, Dirksen Senate Office Building, under authority of Senate Resolution 76, section 13, dated March 2, 1983, Hon. Warren Rudman presiding.

Members of the subcommittee present: Senator Warren Rudman, Republican, New Hampshire; and Senator Sam Nunn, Democrat, Georgia.

Members of the professional staff present: S. Cass Weiland, chief counsel; Eleanore J. Hill, chief counsel to the minority; Katherine Bidden, chief clerk; James B. McMahon, deputy chief counsel; Howard Shapiro and Barbara Jeanne Cart, staff counsels; David Faulkner, detailed investigator from the Federal Bureau of Investigation; Terrance Bostic, assistant counsel to the minority; Leonard Willis, staff investigator, minority; Sarah Presgrave, executive assistant to the chief counsel of the majority; Mitch Goldberg and Cindy Cappel, subcommittee staff.

[Member of the subcommittee present at the commencement of the hearing: Senator Rudman.]

Senator RUDMAN. The subcommittee will come to order.

[The letter of authority follows:]

U. S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
Washington, D.C.

Pursuant to Rule 5 of the Rules of Precedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any Member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with hearings on the Hotel Employees and Restaurant Employees International Union, to be held on April 27 and 28, 1983.

WILLIAM V. ROTH, JR.,
Chairman.

SAM NUNN,
Ranking Minority Member.

Senator RUDMAN. This morning we continue our hearings into labor management problems in the Hotel Employees & Restaurant Employees International Union.

22-168 0 - 83 - 6

We have a previous schedule which will feature testimony of the locals in Miami and Atlanta.

Our first witness this morning is a member of our staff, Mr. David Faulkner.

Mr. Faulkner, I believe you were sworn yesterday.

Mr. FAULKNER. Yes, sir.

Senator RUDMAN. Proceed with your statement.

TESTIMONY OF DAVID FAULKNER, STAFF INVESTIGATOR, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Mr. FAULKNER. Mr. Chairman, our review of local 355 in Miami has uncovered evidence similar in nature to that discovered in other hotel worker locals; namely, control of local operations by the international, apparent influence over the local by organized crime elements, and disputes over health and welfare plans.

Local 355 was formed through a merger ordered by International General President Ed Hanley of locals 255 and 133 in October 1973.

Local 255 had approximately 10,000 members, and was led by Armando Vasquez and Herbert Schiffman, who has also played a key role in HEREIU locals in Atlanta and San Diego. Local 133 had approximately 1,000 members and was headed by Al Gonzalez.

Armando Vasquez, who has been affiliated with the hotel industry since 1948, has been interviewed by subcommittee investigators and has provided us with a sworn statement, which I would like to introduce into the record at this point.

Senator RUDMAN. Without objection, it will be incorporated in the record.

[The prepared statement follows:]

STATEMENT OF ARMANDO VASQUEZ

I, Armando Vasquez, furnish the following free and voluntary statement under penalty of perjury.

I live in Miami, Florida, and have been affiliated with the hotel industry and/or the Hotel Employees and Restaurant Employees International Union since 1948. From 1948 to 1955, I worked as a barboy and bartender. From 1955 to 1973, I was a member of Miami HERE Local 255 and served as an elected general organizer of that Local from 1957 to 1973. During most of those years, Herbert "Pinky" Schiffman held the office of President of Local 255.

In 1973, Pinky, myself, and Henry Oppenheim represented Local 255 at meetings of the International General Executive Board in Minneapolis, Minn. Al Gonzalez and Morris Drabkin, of Miami HERE Local 133 and Dennis Meehan, of Ft. Lauderdale HERE Local 39, also attended. We met with International official Tony Anselmo to discuss a proposed merger of our respective Locals.

I opposed the merger since Local 255 was growing fast and was financially sound, whereas Locals 133 and 39 were "sick" Locals, who had poor membership and were unable to pay their bills. In response, Anselmo told us that unions were not banking entities and that if the local treasuries were wiped out, the International had millions which could be made available to us. As I was the only one opposed to the merger, it was approved.

At the time of the merger, Local 255 represented about 10,000 employees of hotels and restaurants in Miami and Miami Beach. Local 133, headed by Al Gonzalez supposedly represented about 1,100 racetrack and restaurant workers; however, after the merger, it turned out that 400–500 of his members had to be suspended for dues delinquency. Therefore, in 1973, Local 355, so designated after the merger, then headed by Pinky Schiffman, had in excess of 11,000 members and a treasury of over $500,000.

Since that time, a large number of contracts have either failed to materialize in local restaurants and hotels or, once signed, have subsequently been terminated. The Singapore Hotel which was operated by the late Mafia chief Meyer Lansky had a contract with the Union, but now does not. I, personally, had organized two restaurants with a total of 120–130 employees, and these contracts have since been lost, as have numerous other contracts. I believe that sweetheart deals were struck between Gonzalez and these restaurants. (Other contracts were lost with Harbor Lounge and Place for Steak, Nick and Arthurs on the Causeway, Piccolos, Old Key West Fishing Village Restaurant, Marco Polo Hotel, Castaways Motel, Colonial Inn Hotel, Aventura Country Club, Enrico and Paglieri Restaurant, Arlen House East, Arlen House, Ivanhoe Hotel, Beau Rivage Hotel, Post and Paddock Restaurant, Arlen Management Deauville Hotel, Pumpernicks Restaurant, King Cole, Allison Hotel, Delmonico Hotel, Monte Carlo Hotel, Arlen Beach, Oliver House, Imperial House, Eden Rock Hotel, Montamartre Hotel, Saxony Hotel, Versailles Hotel, Sans Souci Hotel, President Madison Hotel, Shore Club Hotel, Nautilus Hotel, Shelborne Hotel, Surfcomber Hotel, Delano Hotel, Wolfies Restaurant, Famous Restaurant, Concord Cafeteria, Les Follies Restaurant, Monks In Restaurant, Vizcays Restaurant, and Airport Roof Restaurant.)

By December 1976, four years after the merger, we had lost over 2,000 members and our net assets had gone from $500,000 to less than $70,000. There was comparatively little in the treasury and the local was deteriorating. I blame this on bad management by Pinky along with the influence of Al Gonzalez, which took the form of excessive costs and mismanagement, which squandered the Treasury.

In late 1976, Ed Hanley was in Miami for a golf tournament at the Doral Hotel, jointly sponsored by Coca-Cola and the Union. Locals across the country had to contribute $10,000 and, even though we were very low on funds, Local 355 was also required to contribute this amount. I believe that the International blew several hundred thousand dollars on this tournament. At the time of the tournament, a strike was being considered by Local 355 and I was concerned that, due to a lack of funding, the Local could not survive an extended strike. Schiffman assured me that Hanley had guaranteed International support in the form of funds and organizers if the Local should strike. I was not satisfied with his assurance and demanded and received a meeting with Hanley on this point. At that meeting Hanley personally assured me that, in the event of a strike, the International would back us with funds and organizers. Based on this assurance, a strike was called in December of 1976, which continued into 1977. Sometime in January of 1977, Hanley was called in by Schiffman, and arrived with an attorney named Reynolds to take over the negotiations, and no local members were allowed to attend.

On January 17, Hanley struck an agreement with the hotels and the strike was settled. Even though I was an official of the Local, I was not allowed to look at the contract. Hanley stated that Schiffman and Henry Oppenheim would sign for the union. This was very unusual as I normally signed any union documents. I personally went to the negotiations site and demanded a full explanation. Reynolds took me aside and assured me that the contract was okay and that Pinky and Oppenheim will proof, print, and sign the contract. I implored Schiffman and Oppenheim to read the contract carefully before it was signed.

The collective bargaining agreement was signed on a Friday and the workers were told that they would all be allowed back to work by Monday, as it took a couple days to get scheduling straightened out. On the following Monday, at least 500 workers were not rehired and, when this was contested, it was pointed out that the contract did not require that these workers be rehired. The agreement also wiped out the concept of "past practice" by including the phrase "not withstanding past practice." This was the most significant treachery of the International as it erased gains from previous agreements. Finally, the contract had disastrous economic effects for Local 355. Not only did we lose many previous benefits, but we were forced into a long and expensive court battle with employers before the National Labor Relations Board. I would like to say, at this time, that even though the members won the NLRB suit, there has been no effort to enforce the court decision by either the Department of Labor or the International. The Miami Local was one of the most powerful and effective locals in the country prior to this collective bargaining agreement. It is now in a very bad condition. In fact, by 1981, the membership of Local 355 had dropped to about 5,000 members with net assets of minus $400,000.

At one point, I asked Oppenheim why he signed the contract and he replied, "They forced me." When I questioned Schiffman about it, he stated that he had not read it. In addition, the contract was not read to the members prior to ratification. The only information they received was from the rough notes dictated by lawyer Reynolds to Henry Oppenheim and read by Pinky Schiffman.

I would like to point out that I did not urge ratification to the Spanish speaking members, but only translated what Schiffman was reading.

Within months of the strike, Schiffman had been transferred by the International to the West Coast. This followed his unsuccessful appeal of a federal labor law conviction in Atlanta, and efforts to kill him by someone who planted a bomb in his car in Miami.

In September 1977, the International placed Local 355 in trusteeship and I was named the trustee. I remained as trustee until about February 1978. During that 4 to 5 month period, I took measures which increased the treasury from around $5,000 to $70,000. In addition, the Local had not paid its International per capita tax for several months and I was required to sign for the amount as a loan from the International. During my term as trustee, I began paying off this "loan" and membership began to increase. I would also like to mention that Pinky had contracted for an expensive severance pay plan from Lou Ostrer, who has since been convicted on several charges of defrauding unions with his insurance schemes. As trustee, I discontinued this plan thereby saving the Local a considerable sum.

It is my belief that the International made some sort of "sweetheart" deal with some of the hotels in Miami. I base this largely on the fact that while trustee, I began vigorous efforts to obtain all possible benefits for the members from the hotels. However, in February 1978, despite significant improvements in the Local's finances, I was abruptly removed as trustee by Ed Hanley. This occurred after Al Gonzalez made a trip to Palm Springs to visit Hanley. When Gonzalez returned, he told me that Hanley wanted me out. No explanation was given, and though I made repeated written and telephone requests for an explanation, none was ever put forth. Gonzalez suggested that I send in a recommendation that he replace me as trustee and we would then share control of the Local. I did this and as soon as Gonzalez was appointed he refused to allow me to have any say in union matters and I was forbidden to organize any hotels.

In 1978, the membership petitioned the International to remove the trusteeship and hold election of officers. This was refused, and in protest, we set up picket lines at an AFL–CIO convention causing Hanley considerable embarrassment. He agreed to an election to be held later in the year.

When the election was held, there were many irregularities and the opposition, myself included, were denied any opportunity to participate in the election. In spite of this, Gonzalez was elected by less than 300 votes. An election complaint filed with the Department of Labor resulted in no charge.

I would like to point out to the Subcommittee that, in 1978, I left the HEREIU and chartered State Local #3 for employees in the hospitality industry in the Miami area. Today we have about 300 members.

I understand that recently, Tony Fernandez, the President of Local 355, has been effectively denied any say in the Local's operation by Al Gonzalez, who, as Secretary-Treasurer, is the administrator of the Local. Gonzalez has done this by having Fernandez designated an International Organizer and then assigned to remote areas to work.

I am told that as a result of Gonzalez' actions, Fernandez obtained about 3,000 signatures on petitions to change the by-laws making the president the administrative officer of the Local. Recently, Fernandez was summoned to Atlanta to meet with International Vice-President Pinky Schiffman who flew in from San Diego. Schiffman allegedly instructed him to drop the petitions. I am also told that Local 355 had only 3,000 to 4,000 actual members, with little money and contracts are lapsing, with no new contracts or benefits to replace them.

At this point, I would like to state, that I firmly believe organized crime figures in certain areas exert influence or control within the HEREIU and Miami is and has been one of those areas. For example, it was well known by the membership that Al Gonzalez was well acquainted with Santos Trafficante. I have heard him brag about his connection with "Santos" many times.

I also have reason to believe that the mob in New York, Chicago and Miami are controlling Hotel Worker Union activities in those areas as well as in the International. The International assigned Freddy Ferrara aka Freddy Gladstone to Miami following the merger of the Locals. Ferrara is close to Gonzalez as well

as Vito Pitta in New York, and I believe him to be a messenger between New York and Miami LCN figures. Ferrara was convicted of federal labor law violations in 1972 in New York and served a prison sentence.

I have tried to point out to the Subcommittee that the members of LU 355 have no voice in the running of their Local. There is no democratic election process available to them and over the past few years they have been stripped of many benefits as a result of corrupt and ineffective leadership at both the Local and International levels.

I have read and reviewed each page of this statement and I swear, to the best of knowledge and belief, that the statements contained herein are true and correct.

ARMANDO VASQUEZ.

Sworn to and subscribed before me this 20th day of April, 1983.

_____,
Notary Public.

Mr. FAULKNER. In December 1976, a number of Miami hotels were struck by local 355. Vasquez participated in the resulting contract negotiations with management representatives, as he had over the years in other contract negotiations. But shortly after the strike, the international took over the negotiations and Vasquez was excluded from the meetings. At this point, I would like to quote from Vasquez' statement:

Sometime in January of 1977, Hanley was called in by Schiffman and arrived with an attorney named Reynolds to take over the negotiations, and no local members were allowed to attend.

On January 17, Hanley struck an agreement with the hotels and the strike was settled. Even though I was an official of the Local, I was not allowed to look at the contract.

The most significant treachery of the International was that it erased gains from previous agreements. This contract had disastrous economic effects for Local 355. Not only did we lose many previous benefits, but we were forced into a long and expensive court battle with employers before the National Labor Relations Board.

The Miami Local was one of the most powerful and effective locals in the country prior to this contract and now it is in very bad condition. By 1981, Local 355 had dropped to about 5,000 members with net assets of minus $400,000.

Vasquez relates his efforts to determine how the agreement was reached. He talked to Henry Oppenheim and Pinky Schiffman, officials of the local who ultimately signed the contract. Again quoting from Vasquez' statement:

At one point I asked Oppenheim why he signed the contract and he replied, "They forced me." When I questioned about it, he stated that he had not read it. In addition, the contract was not read to the members before ratification.

The subcommittee has also obtained a written statement from Charles Kramer, a former management trustee of the local 355 health and welfare fund. Mr. Kramer states that Hanley and international attorney Reynolds did not want the local 355 members to know about a contract clause which allowed employees with seniority to be laid off without cause, with no union interference.

According to Mr. Kramer, Ed Hanley implored management to "put our people back to work and let us get out of town" before the members learned of the effect of this clause.

Armando Vasquez has also told the subcommittee that various sweetheart deals have been struck with hotels and restaurants in Miami, and, in some cases, deals were made to keep houses unorganized. This is a very serious charge which warrants further investigation by the Department of Labor.

In September of 1977, Ed Hanley placed local 355 in trusteeship, following Pinky Schiffman's transfer by the international to San Diego. This followed Schiffman's labor related conviction in Atlanta and a car bomb attempt on his life in Miami. Hanley then appointed Vasquez as the trustee, but his tenure was short lived.

Al Gonzalez, who was eventually elected to head local 355 as its secretary-treasurer after the trusteeship was removed, is also an international vice president. In addition to his duties in Miami, Gonzalez has reportedly been assisting New York HEREIU head Vito Pitta.

Several individuals, including Vasquez, have told the subcommittee that Gonzalez is closely associated with Florida organized crime figure Santos Trafficante. According to Vasquez, "It was well known by the membership that Al Gonzalez is well acquainted with Santos Trafficante. I have heard him brag about his connection with 'Santos' many times." The subcommittee heard similar testimony yesterday from witness Joe Hauser.

Local 355 has also been involved in a continuing dispute over health and welfare plans, namely the medical plan and the dental plan. In order to further emphasize the nature of the problems, I would like to briefly quote from the sworn statement furnished to the subcommittee by Charles Kramer:

> In May of 1977, the trustees were considering competitive bids for the trusts' group life insurance business. Local 355 attorney Seymour Gopman told the trustees that, at the request of Al Gonzalez of local 355, he had sent a copy of the bid specifications to Foundation Life Insurance Company of America, a New Jersey firm operated by Louis Ostrer.
>
> Gopman indicated he had received a Western Union mailgram in which Foundation Life submitted a bid of $2,150,000 which was approximately $225,000 less in premiums than the low bid submitted by the solicited bidding companies. Pinky Schiffman then proceeded to promote Foundation Life's cause before the trustees.

I might mention here that we heard this same type of scheme before here yesterday by Mr. Hauser. Fortunately, the management trustees rejected Mr. Ostrer's bid, even though they did not know that in 1977, Lou Ostrer was already a convicted felon whose license as an insurance agent had been revoked by the State of New York. He has since been convicted of additional Federal labor violations, most recently in Miami, Fla., and is serving a lengthy prison sentence.

I would like to enter into the record Charles Kramer's sworn statement, a copy of the minutes of the 1977 insurance fund meeting reflecting Gopman's discussion of the Ostrer bid, and a copy of the Western Union mailgram, dated May 5, 1977, to Al Gonzalez from Foundation Life Insurance Co. of America.

Senator RUDMAN. Without objection.

[The material referred to was marked "Exhibit No. 9," for reference, and follow:]

EXHIBIT NO. 9

STATEMENT OF

CHARLES A. KRAMER

My name is Charles A. Kramer and I am the managing director of the Shelborne Hotel, 1801 Collins Avenue, Miami Beach, Florida. By agreement with David Faulkner, Investigator for theSub-Committee and with approval of the General Counsel, this statement is being accepted in lieu of testimony before the Sub-Committee under Subpoena #E01222 dated February 22, 1983. (Statement prepared by Mr. Faulkner and edited by the undersigned).

As a result of my appointment by the President of the Southern Florida Hotel & Motel Association, I served as a management trustee to the Pension & Health & Welfare Funds of Local 355 of the Hotel Employees & Restaurant Employees International Union in the Miami area from approximately 1975 to 1982.

In December 1976 Local 355 struck the Miami area hotels during a contract dispute. The strike lasted into January 1977.

During the strike negotiations of 1977 Herbert "Pinky" Shiffman, then head of Local 355, was pushing for a prepaid legal plan. The union's prepaid legal plan was not approved during contract negotiations. During these same negotiations Shiffman and International President Ed Hanley also pushed for the transfer of Local 355's pension fund to the International. Management trustees vigorously opposed such a merger.

During the contract negotiations I was threatened by now Union International Vice-President Pinky Shiffman. I tape recorded these telephone threats with his knowledge and turned the tape over to my attorney David Kornreich, who has been requested to locate and produce the recording for Subcommittee's investigators pursuant to a subpoena calling for its production. As a result of these threats I was concerned enough for my safety to hire a uniformed guard to protect my home and vehicle during the night time hours and a personal body guard for my protection. This protection lasted until approximately mid January 1977.

Once the collective bargaining agreement was reached in 1977, Hanley and union counsel Jack Reynolds did not want the members of Local 355 to be aware of a "turnstile clause" contained in the contract. In their eagerness to reach an agreement, Hanley and Reynolds agreed to this clause which allowed employees with seniority to be laid off without union interference if they were less qualified for the job than the retained employee. Hanley implored management to "put our people back to work and let us get out of town" before the clause became known to the membership, knowing that the members depended upon the union to protect their seniority.

In May of 1977 the trustees were considering competitive bids for the trusts' group life insurance business. Seymour Gopman, the Local's legal counsel at that time, told the trustees that, at the request of Al Gonzalez of Local 355, he had sent a copy of the bid specifications to Foundation Life Insurance Company of America, a New Jersey firm which I have since learned was operated by Louis Ostrer. Gopman indicated he had received a Western Union mailgram in which Foundation Life submitted a bid of $2,150,000 which was approximately $225,000 less in premiums than the low bid submitted by the competing bidding companies. Pinky Shiffman then proceeded to promote Foundation Life's cause before the trustees. I would like to point out that I have since been informed that in 1977 Lou Ostrer was already a convicted felon, whose license as an insurance agent had been revoked by the State of New York. He has since been convicted of additional Federal violations, most recently in Miami, Florida in 1982.

From 1975 to 1980 the employee benefit plan was known as HEMP (Hotel Employees Medical Plan). In 1980 the union and Southern Florida Hotel & Motel Association failed to reach a collective bargaining agreement forcing the Association to obtain separate welfare benefit coverage for our employees. Since that time the union plan known as HIMP (Hotel Industry Medical Plan) developed a deficit of $275,000. while our Association plan, with Gulf Life providing the medical insurance, increased reserves from $250,000 to about$1,300,000. I would like to point out that HEMP was well established while HIMP experienced start-up costs which could account for some of the disparity.

In October or November of 1980 I found the son of Local 355 President Tony Fernandez and other union representatives, taking HEMP records from the HEMP offices without authorization of the board of trustees.

The Hotel Association signed with CAC, a health maintenance organization (HMO), to provide benefits for our employees. We tried to encourage Local 355 to utilize this HMO as the benefits/cost ratio was very favorable. The Local adamantly refused however, and, in fact, issued a printed memo to its members citing the inadequecies of all HMO plans. Soon after, however, officers of the Local, as trustees, proceeded to sign with a different HMO with an inferior cost/benefits ratio. I know of no explanation for their change of heart; certainly they never came back to the Hotel Association for inclusion in our CAC plan.

I have read and reviewed each page of this affidavit and I swear, to the best of my knowledge and belief, that the statements contained herein are true and correct.

Charles A. Kramer

Sworn to and subscribed before me
this 21st day of April, 1983.

Notary Public

My commission expires

NOTARY PUBLIC STATE OF FLORIDA AT LARGE
MY COMMISSION EXPIRES APR 4 1984
BONDED THRU [illegible] UNDERWRITERS

HOTEL EMPLOYEES UNION-HOTEL ASSOCIATION INSURANCE FUND

MINUTES OF MEETING

A regular meeting of the Board of Trustees was called to order at 3:00 PM at the offices of the South Florida Hotel and Motel Association, Miami Beach, Florida by Chairman Dean. Those Trustees present from Management were Messrs. Dean, Gray, Thal, Kramer and Keiler. Those Trustees present from the Union were Messrs. Schiffman, Oppenheim, Meehan, Vazquez and Gonzalez. Also present were Attorneys Seymour A. Gopman and Herbert Mintz and Dr. Werblow. Florida Administrators, Inc. was represented by Messrs. A. Grossman, A. Jordan, K. Kass and Mrs. Cohl.

The Minutes of the meeting held on March 7, 1977 which had been previously distributed were approved on a motion by Mr. Kramer, seconded by Mr. Schiffman and carried with the exception that it be noted that Mr. Keiler voted in the negative regarding the Trustees' direction to Attorney Gopman to pursue grievance procedure to collect delinquency payments from the Fontainebleau and institute legal action if necessary, for the reason that the Fontainebleau does not have a Collective Bargaining Agreement with the Union even though the Fontainebleau has made payments to the Trust Fund. Mr. Keiler expressed the opinion that if the Trust Fund did institute suit, the Fontainebleau could counterclaim for payments already made and money recovered would exceed the delinquency payment allegedly due from the Fontainebleau.

Mr. Grossman distributed copies of the Group Insurance Analysis prepared for the Trust Fund by Trust Consultants, Inc. He indicated that specifications requesting bids had been forwarded to 14 Insurance Companies including the current Carrier. He indicated 6 Companies had submitted bids. Mr. Grossman reviewed for the benefit of the Trustees the current rates for Non-Association Employees, Association Employees, Office Dependents, Non-Office Dependents, and Retirees and compared the current rates with the rates quoted by the bidding Companies. He also made reference to and analyzed for the benefit of the Trustees, the cost of the additional Surgical and Medical fees requested by Dr. Werblow shown as Exhibit IV in the Analysis. For the record, a copy of the Analysis is attached to these Minutes.

At this point, Attorney Gopman advised the Trustees that at the request of Mr. Gonzalez he had sent a copy of the Specifications to Foundation Life Insurance Company of America. Mr. Gopman indicated that he had received a Western Union Mailgram in which Foundation Life tentatively submitted a bid with a total premium of $2,150,000 and an increase in the Death Benefit from $1,000 Group Term to $2,500 Group Modified Whole Life, which was approximately $225,000 less in premium than the low bid submitted by the bidding companies. This mailgram also indicated that Foundation agreed to defer the equivalent of one month's premium provided it were compensated for the loss of interest. In discussing the financial strength of the Company with regard to its ability to insure an Insurance Program of the size of this Trust Fund, Mr.

Gopman indicated that Foundation was flying a copy of its K-1 to him. In response to questions concerning Foundation's ability to insure this case, Mr. Grossman suggested that if the Trustees wished to accept Foundation's bid they could protect the Fund as they had done in the past with other Carriers, by providing that Foundation defer 3 months' premium, amounting to approximately $600,000, to cover incurred but unreported claims.

Mr. Kramer questioned Mr. Grossman with regard to what type of Companies Florida Administrators' other client Trust Funds normally place their Insurance, such as the size of the Company, and the business it does? Mr. Grossman advised him that approximately 5% of the Trust Funds Florida Administrators handles place their Insurance with Small Companies, but if they do, they try to protect themselves in other ways.

Mr. Schiffman expressed the opinion that the Employers could save money by accepting Foundation's bid. He indicated the Employers would have to increase their contributions if one of the other Companies were selected. Mr. Dean questioned the advisability of increasing the Death Benefit from $1,000 to $2,500.

After considerable discussion on these and other matters, on a motion by Mr. Kramer, seconded by Mr. Thal and carried, the Trustees agreed and asked Mr. Gopman and Mr. Grossman to negotiate with Foundation as to whether it would agree to defer premium amounting to $600,000 with the interest to accrue to the Insurance Company, reduce the Death Benefit to $1,000 with attending reduction in premium, answer all of the questions posed in the Specifications and, in particular, the increased benefits requested by Dr. Werblow and agree to continue to have the claims paid at the Union office as is being done at present. A copy of Foundation's mailgram is also attached to these Minutes for the record.

The Trustees then discussed the request of Dr. Werblow with regard to increased fees for HEMP Physicians. Mr. Grossman distributed to the Trustees for their benefit a schedule which reflected the cost of present fees and the fees requested by Dr. Werblow and discussed what the increased fees would cost if approved by the Trustees. A copy of this schedule is also attached to the Minutes. Dr. Werblow indicated that the current fees were below the current standards and expressed his concern at retaining Physicians to treat HEMP patients. After discussing this matter at length, on a motion by Mr. Schiffman, seconded by Mr. Thal and carried, the Trustees agreed to table Dr. Werblow's request to the next meeting to be held on May 16th, 1977. Dr. Werblow was advised to assure the Doctors that this delay would not result in any penalty since any increase would be retroactive to the date of this meeting.

Discussion ensued concerning delinquent hotels. Mr. Keller made a motion, seconded by Mr. Gray providing that Trustees not accept any contributions from any Employer which does not have a Collective Bargaining Agreement with the Union. During

discussion, Attorney Gopman stated he did not agree with Mr. Keiler totally on this point. He expressed the opinion that there was no risk in accepting contributions from an employer whose Collective Bargaining Agreement had terminated but negotiations were in progress for renewing it. This motion failed to carry. Mr. Keiler then made another motion which was seconded by Mr. Gray, providing that the Trust Fund Trustees not accept payment from any Employer which did not have a Collective Bargaining Agreement with the Union within one year from date and to do likewise in the future. After considerable discussion with regard to the legality of accepting contributions from Employers which do not have Collective Bargaining Agreements with the Union, the Trustees directed Attorneys Gopman and Mintz to research this question and submit a written opinion to the Trustees concerning this matter at the next meeting. Based upon this arrangement, Mr. Keiler withdrew his motion.

Discussion then arose on the analysis of the operation of the Hotel Employees Union-Hotel Association Insurance Fund for the calendar year 1976 prepared by Florida Administrators, Inc. under date of March 7, 1977. In connection therewith, Mr. Gray, seconded by Mr . Kramer, made the following motion:

"WHEREAS the Board of Trustees having received from Florida Administrators, Inc. an Analysis of this Insurance Fund for the year 1976; and

WHEREAS this Board of Trustees is faced with substantial increased Insurance premium costs; and

WHEREAS the Board of Trustees is charged with responsibility to determine Rules of Eligibility; and

WHEREAS there exists legal issues which must be resolved in determining proper Rules of Eligibility; and

WHEREAS it appears that Hotel, Restaurant and Self-Insured have substantially different claims experience disproportionate to the premiums contributed; and

NOW, THEREFORE, BE IT RESOLVED: Wyatt and Company is requested to advise prior to June 1, 1977 an appropriate grouping of eligible persons and premiums to be charged to each based upon claims experience or other proper consideration.

Co-Counsel are authorized to confer with Wyatt and Company, Florida Administrators, Inc. and others as required to make appropriate recommendations, prior to June 1, 1977 to avoid or minimize the added premium costs; and that there be recommended by Co-Counsel and Wyatt and Company appropriate Rules of Eligibility to achieve an avoidance or minimization of the added premium costs."

Considerable discussion ensued concerning the motion. Of concern was whether each classification of employers, dependents and employees was making contributions in proportion to the classifications' experience. Ultimately, the Trustees agreed, without taking action on Mr. Gray's motion, that Florida Administrators, and/or The Wyatt Company furnish the Trustees by the next meeting of an Analysis regarding this matter for the Trustees' consideration, the cost of such Analysis not to exceed $1,000.

The Trustees then discussed the claim of Herman Moran filed on behalf of his Dependent. Mr. Moran worked sufficient days in the month of December to be covered, but by reason of the Strike, the Deauville did not deduct payment for Dependent Coverage. Mr. Moran did not make a self-payment to cover his Dependent. Mrs. Cohl indicated that it was incumbent upon Mr. Moran to make a self-payment in order to cover his Dependents. She stated that other employees under similar circumstances made self-payments in order to retain Eligibility for their Dependents. After discussing this matter, on a motion of Mr. Gray, seconded by Mr. Thal the Trustees denied Mr. Moran's claim.

On a motion by Mr. Schiffman, seconded by Mr. Thal, the Trustees approved all disbursements made since the last meeting.

There being no further business, the meeting was adjourned on a motion by Mr. Gray, seconded by Mr. Schiffman and carried at 5:20 PM with the next meeting scheduled for May 16, 1977.

Respectfully Submitted,

_____

Chairman, Board of Trustees

_____

Secretary, Board of Trustees

HOTEL EMPLOYEES MEDICAL PLAN
941 LINCOLN ROAD
MIAMI BEACH, FLORIDA 33139

S. C. WERBLOW, M.D.
MEDICAL DIRECTOR

TELEPHONE: 532-8904

FEE SCHEDULE FOR PHYSICIANS FOR OFFICE VISITS

	PRESENT FEES	FEES REQUESTED
General Medical	1st visit $10.00 subsequent visits $8.00	$15.00 10.00
General Surgical	$10.00 every visit	$15.00 every visit
Specialists (Neurologists, neuro-surgeons, thoracic surgeons, vascular surgeons, gastro-enterologists, allergists, hematologists, urologists).	$10.00 every visit	1st visit $15.00 subsquent visits $1[illegible]
Podiatrists	all visits $7.00	$8.00

HOSPITAL CASES

Visits	1st visits $8.00 subsequent visits $5.00	every visit $10.00

SURGICAL SCHEDULE - maximum is now $425.00. New schedule requested - maximum $700.00

Last raise for Doctors' was 11-18-73
Last raise for Hospital fees was 1-1-73

Trust Consultants, Inc.

BOX 559695, MIAMI (KENDALL), FLORIDA 33155 • TELEPHONE 595-4040

ADMINISTRATORS AND CONSULTANTS FOR
Health & Welfare
Pension Plans
Vacation Plans

GROUP INSURANCE ANALYSIS PREPARED FOR:

TRUSTEES OF HOTEL EMPLOYEES UNION - HOTEL ASSOCIATION

INSURANCE FUND

Analysis Prepared By:

TRUST CONSULTANTS, INC.

APRIL 21, 1977

EXHIBIT I

TRUSTEES OF HOTEL EMPLOYEES UNION - HOTEL ASSOCIATION INSURANCE FUND

On March 10, 1977, Specifications were mailed to the following Insurance Companies:

* AETNA LIFE INSURANCE COMPANY
* BANKERS LIFE COMPANY
* CNA/INSURANCE
  DURHAM LIFE INSURANCE COMPANY
  GULF LIFE INSURANCE COMPANY
* JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
  LIFE AND CASUALTY OF TENNESSEE
* LINCOLN NATIONAL LIFE INSURANCE COMPANY
* MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
* NATIONWIDE LIFE INSURANCE COMPANY
  OCCIDENTAL LIFE INSURANCE COMPANY
* PACIFIC MUTUAL LIFE INSURANCE COMPANY
  PRUDENTIAL LIFE INSURANCE COMPANY
  UNITED BENEFIT LIFE INSURANCE COMPANY

* THESE COMPANIES HAVE DECLINED TO SUBMIT A PROPOSAL

EXHIBIT II.

TRUSTEES OF HOTEL EMPLOYEES UNION-HOTEL ASSOCIATION
INSURANCE FUND

PREMIUM EXHIBIT

CAPITAL & SURPLUS ASSETS	DURHAM $ 69,490,000. $299,774,000.	UNITED BENEFIT $209,160,000. $909,163,000.	GULF $ 65,725,000. $500,506,000.	OCCIDENTAL $ 165,000,000. $2,333,046,000.	L&C OF TENN. $ 62,430,000. $648,000,000.	PRUDENTIAL $ 2,269,894,000. $39,309,453,000.
NON-ASSN. EMPLOYEE	$ 17.84	$ 18.75	$ 17.84	$ 17.92	$ 19.82	$ 18.72
ASSN. EMPLOYEE	$ 20.88	$ 22.01	$ 19.91	$ 20.31	$ 23.29	$ 21.34
OFFICE DEPENDENTS	$ 36.27	$ 39.42	$ 35.31	$ 35.23	$ 41.54	$ 37.30
NON-OFFICE DEPENDENTS	$ 21.38	$ 22.55	$ 21.40	$ 21.34	$ 24.48	$ 22.48
RETIREES	$ 9.76	$ 10.23	$ 9.77	$ 9.85	$ 10.83	$ 10.22
TOTAL MONTHLY PREMIUM	$ 203,463.	$ 214,338.	$ 198,062.	$ 200,276.	$ 227,491.	$ 210,104.
TOTAL ANNUAL PREMIUM	$ 2,441,559.	$ 2,572,060.	$ 2,376,749.	$ 2,403,317.	$ 2,729,894.	$ 2,521,248.

EXHIBIT II.

Present Costs by L+C of TENN 5/1/77 VALID

TRUSTEES OF HOTEL EMPLOYEES UNION-HOTEL ASSOCIATION INSURANCE FUND

PREMIUM EXHIBIT

		(3) DURHAM	UNITED BENEFIT	(1) GULF MFG	(2) OCCIDENTAL	L&C OF TENN.	PRUDENTIAL
CAPITAL & SURPLUS		$ 69,490,000.	$209,160,000.	$ 65,725,000.	$ 165,000,000.	$ 62,430,000.	$ 2,299,894,000.
ASSETS		$299,774,000.	$909,163,000.	$500,506,000.	$2,333,046,000.	$648,000,000.	$39,309,453,000.
NON-ASSN. EMPLOYEE	15.46	$ 17.84	$ 18.75	$ 17.84	$ 17.92	$ 19.88	$ 18.72
ASSN. EMPLOYEE	18.05	$ 20.80	$ 22.01	$ 19.98	$ 20.31	$ 23.29	$ 21.34
OFFICE DEPENDENTS	31.23	$ 36.27	$ 39.42	$ 35.31	$ 35.23	$ 41.54	$ 37.30
NON-OFFICE DEPENDENTS	18.41	$ 21.33	$ 22.55	$ 21.40	$ 21.34	$ 24.48	$ 22.48
RETIREES	8.50	$ 9.76	$ 10.23	$ 9.77	$ 9.85	$ 10.83	$ 10.22
TOTAL MONTHLY PREMIUM	190,000	$ 203,463.	$ 214,338.	$ 198,062.	$ 200,276.	$ 227,491.	$ 210,104.
TOTAL ANNUAL PREMIUM		$ 2,441,559.	$ 2,572,060.	$ 2,376,749.	$ 2,403,317.	$ 2,729,894.	$ 2,521,248.

$60 → 500 (3000)

Needed by 1/1/77 (6000)

$80 + 2,500

Base by ARNOLD GROSSMAN

5/4/77

Gopman: Foundation Life sought out by gopman + gonzalez

$2,150,000 by Telegram

gopman $500,000 - $80,000 (Escrow)

LIFE INS. Death benefits would increase from $1,000 to $2500 + 15 IRREVERS

EXHIBIT III

TRUSTEES OF HOTEL EMPLOYEES UNION-HOTEL ASSOCIATION
INSURANCE FUND

RETENTION EXHIBIT

COMPANY	FIRST YEAR RETENTION DOLLAR	FIRST YEAR RETENTION PERCENTAGE	TEN YEAR AVERAGE DOLLAR	TEN YEAR AVERAGE PERCENTAGE
PRUDENTIAL	$150,800.	6.00%	$147,500.	5.90%
GULF LIFE	$183,723.	7.70%	$173,027.	7.30%
UNITED BENEFIT	$200,255.	7.81%	$197,244.	7.69%
OCCIDENTAL	$201,638.	8.39% (A)	$197,793.	8.23%
LINCOLN LIFE	$290,546.	11.90%	$266,130.	10.90%
B & C OF TENNESSEE	$300,288.	11.00%	$300,288.	11.00%

(A) Guaranteed Maximum Retention for Three Years

EXHIBIT IV.

TRUSTEES OF HOTEL EMPLOYEES UNION-HOTEL ASSOCIATION
INSURANCE FUND

OPTIONS EXHIBIT

	DURHAM		UNITED BENEFIT		GULF		OCCIDENTAL		L&C OF TENN.		PRUDENTIAL	
	EMP.	DEP.	EMP.	DEP.	EMP.	DEP.	EMP.	DEP.	EMP.	DEP.	EMP.	DEP.
Additional Rate To Increase Surgery By:												
(a) $ 75.	26¢	53¢	32¢	77¢	38¢	75¢	39¢	70¢	56¢	$1.20	38¢	84¢
(b) $175.	60¢	$1.23	76¢	$1.80	86¢	$1.70	78¢	$1.40	$1.31	$2.80	77¢	$1.70
(c) $275.	94¢	$1.93	$1.20	$2.28	$1.35	$2.70	$1.17	$2.10	$2.05	$4.40	$1.16	$2.56
Additional Rate To Increase Medical Benefits To $10.00 Or 31 Days	30¢	55¢	41¢	67¢	27¢	55¢	23¢	41¢	46¢	72¢	29¢	64¢

western union Mailgram

2-000067E124 05/04/77 ICS IPPMTZZ CSP MIAB
5104823721 MGM TDMT NEW YORK NY 169 05-04 0003A EST

AL GONZALEZ
LOCAL 355
CARE S GOPMAN ESQ
168-70 19TH AVE NORTHEAST
NORTH MIAMI FL 33161

FOUNDATION LIFE TENTATIVELY OFFERS TO PROVIDE THE ACCIDENT LIFE AND HEALTH INSURANCE COVERAGES FOR THE HOTEL UNION - HOTEL INDUSTRY INSURANCE FUND ACCORCING TC THE SPECIFICATIONS SUBMITTED COVERING THE ASSUMED NUMBER OF EMPLOYEES AND THEIR DEPENDENTS FOR WHICH BIDS WERE REQUESTED AS PER SCHEDULE CF BENEFITS SUBMITTED. THE TOTAL PACKAGE WILL BE TWO MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS THE UNIT BREAKDOWN BASED ON THE MEMBERS IN THE REQUEST FOR SUBMISSION OF BIDS WILL BE SUBMITTED UPON ACCEPTANCE CF THIS OFFER. THE DEATH BENEFIT PROVIDED WILL BE $2500 ON EACH PARTICIPANT UNDER A MODIFIED WHOLE LIFE PROGRAM WHICH IS APPROVED FOR USE IN THE STATE OF FLORIDA. WE ALSO AGREE TO DEFER THE EQUIVALENT OF ONE MONTH'S PREMIUM PROVIDED WE ARE COMPENSATED FOR THE INTEREST LOSS. THIS DEFERMENT WILL BE WORKED OUT BETWEEN YOUR FUND AND THE COMPANY.

FOUNDATION LIFE INS CO OF AMERICA

00103 EST

MGMCOMP MGM

Mr. FAULKNER. Charles Kramer has also informed the subcommittee that Pinky Schiffman threatened him during a phone conversation following the 1976–77 contract negotiations in Miami. The subcommittee has obtained a copy of Mr. Kramer's handwritten transcript of this phone threat by Pinky Schiffman.

Finally, the subcommittee has once again encountered key union figures who refuse to discuss their union activities. Herbert Schiffman appeared before the subcommittee in executive session in March.

The subcommittee has voted to unseal his testimony, during which he asserted his fifth amendment privilege numerous times, refusing to answer any substantive questions.

The attorney for Al Gonzalez, secretary-treasurer of local 355, has advised the subcommittee that Mr. Gonzalez would assert his fifth amendment right if called to testify under oath. Additionally, Mr. Gonzalez has health problems and is unable to appear.

I would like to place a letter from Mr. Gonzalez' doctor into the record.

Senator RUDMAN. Without objection.

[The letter referred to follows:]

WATSON CLINIC,
Lakeland, Fla., April 20, 1983.

In re Mr. Alvaro Gonzalez, Watson Clinic No. 214130.

To Whom It May Concern:

It is medically necessary that Mr. Gonzalez be hospitalized for a series of tests to * * * Hospitalization has been scheduled for April 27, 1983 and will last two to three days. He will be hospitalized in the Lakeland Regional Medical Center in Lakeland, Florida.

Sincerely,

JOHN V. VERNER, Jr., M.D.

Mr. FAULKNER. On April 21, Tony Fernandez, president of local 355, was interviewed in Miami and answered questions regarding the local. He also described a meeting he had in Atlanta in October 1982 with Pinky Schiffman concerning Al Gonzalez. Schiffman advised Fernandez to drop a petition he was circulating in an effort to change local 355's bylaws and thereby reduce the power of Gonzalez' office.

Fernandez advised that he discontinued this effort and was later fired by Gonzalez as a business agent for the local.

The position of business agent is a paying position while that of president is an unpaid, largely ceremonial one. Mr. Fernandez initially agreed to appear and testify, however, he has avoided all subsequent efforts to contact him regarding an appearance here today.

Also, Mr. Chairman, I would like to mention at this time that just this morning we learned that Dr. Ira Lien of Miami will not appear as a witness today because of an alleged illness.

His secretary called to say that he has a fever. This is unfortunate because Dr. Lien has relevant information and has cooperated in the past. We have taken steps to verify the nature of his illness and to continue his subpena to a later date.

In the interim, I would like to enter into the record a summary of what Dr. Lien has told the staff in a series of interviews that we have had with him.

I will not read his entire summary but let me point out the following.

Dr. Lien was interviewed in Miami, Fla., on August 5, 1981, February 9, 1983, and April 21, 1983. During these interviews, Dr. Lien related the following information regarding his relationship with Al Gonzalez, head of Miami local 355.

He told me he has known and been associated with Al Gonzalez, secretary-treasurer of the hotel and restaurant local 355 in Miami since about 1955.

He met Alvaro Gonzalez, then president of hotel local 133, in 1955, while Lien was employed as a physician at the North Miami Medical Clinic operated by Drs. Alvin and Leo Honigsberg.

At this time, the North Miami Medical Clinic had a contract with HEREIU Local 133 to provide medical services for the union employees. Gonzalez eventually told Lien that Dr. Leo Honigsberg was kicking back funds to him in order to keep the union contract.

Around July of 1955, Dr. Leo Honigsberg died. Dr. Alvin Honigsberg did not want to keep paying off Gonzalez and, therefore, Gonzalez wanted to place the union contract with another doctor. Shortly thereafter Gonzalez took Lien to meet with a Dr. Tarr who had offices located in the vicinity of Northwest 7th Avenue and 32d Street in Miami. Gonzalez wanted Lien to go into partnership with Dr. Tarr. Gonzalez told Lien that he was going to place the union contract with Dr. Tarr and expected to skim about $5,000 a month from the clinic.

Gonzalez also informed Lien that the clinic, in concept, would give union members a discount for medical treatment, however, in actuality would bill members for unnecessary services and treatment.

Lien told him that he was not interested in the deal. Shortly thereafter, Gonzalez told Lien that local 133 had entered into a contract with Dr. Tarr for the union clinic plan.

During the period 1955–58, Lien became aware that Al Gonzalez was closely associated with many organized crime figures, most notably, Santos Trafficante.

Both Trafficante and Gonzalez were from Tampa, Fla., and both were well acquainted with one Mercedes Pardo, who became Gonzalez' girlfriend for many years. Both she and Gonzalez were closely associated with Trafficante and they would travel to Cuba, Puerto Rico, and elsewhere to visit him in addition to their contacts in the Miami area.

Lien states that he knows from his relationship with Pardo and Gonzalez that, at Trafficante's instruction, she literally taught Gonzalez to read, to become familiar with Robert's Rules of Order, and generally assisted Trafficante in grooming Gonzalez for leadership within the hotel union. As early as 1955, Trafficante had told Gonzalez he would insure that Gonzalez achieved a high position within the union.

Lien stated he had personally seen Al Gonzalez with Santos Trafficante on at least 20 occasions since 1955. At least twice he accompanied Gonzalez to Miami International Airport to pick up Trafficante upon his return from Cuba.

In 1958, Lien was invited to a meeting at the DuPont Plaza in Miami with Gonzalez and the hotel union leader from Buffalo, N.Y., Sam Cariola. During this meeting, Gonzalez again requested that Lien open his own clinic for the purpose of embezzling union funds. Gon-

zalez claimed that Cariola operated the same type of clinic scheme in Buffalo.

At one such occasion, Gonzalez introduced Lien to John and Tom Dioguardi. Gonzalez bragged to Lien that it was the Dios who had blinded newspaper columnist Victor Riesel. Gonzalez was always bragging about his mob associates.

I might mention that Gonzalez and Lien interrupted their relationship until about 1972, when Gonzalez came to Lien for medical treatment.

During this period, Gonzalez often bragged to Lien about his many sweetheart deals with restaurants in the Miami and Miami Beach area.

Dr. Lien also relates that there was a benefit in Miami in 1972 for a hotel union official named Morris Drabkin. Following this benefit, Lien attended a gathering at the Eden Roc Hotel with Al Gonzalez, Ed Hanley, general president of the union, Pinky Schiffman and other union officials. Santos Trafficante also attended this affair and Hanley, Gonzalez, Schiffman, and Lien, as well as others, socialized with Trafficante.

I also happen to have here a copy of a medical card which Dr. Lien furnished which shows the name Harry Fontana, who is a well-known organized crime figure from Tampa, Fla. He was referred to Dr. Lien as a patient by Al Gonzalez.

That will conclude my summary of Dr. Lien's statement, Mr. Chairman.

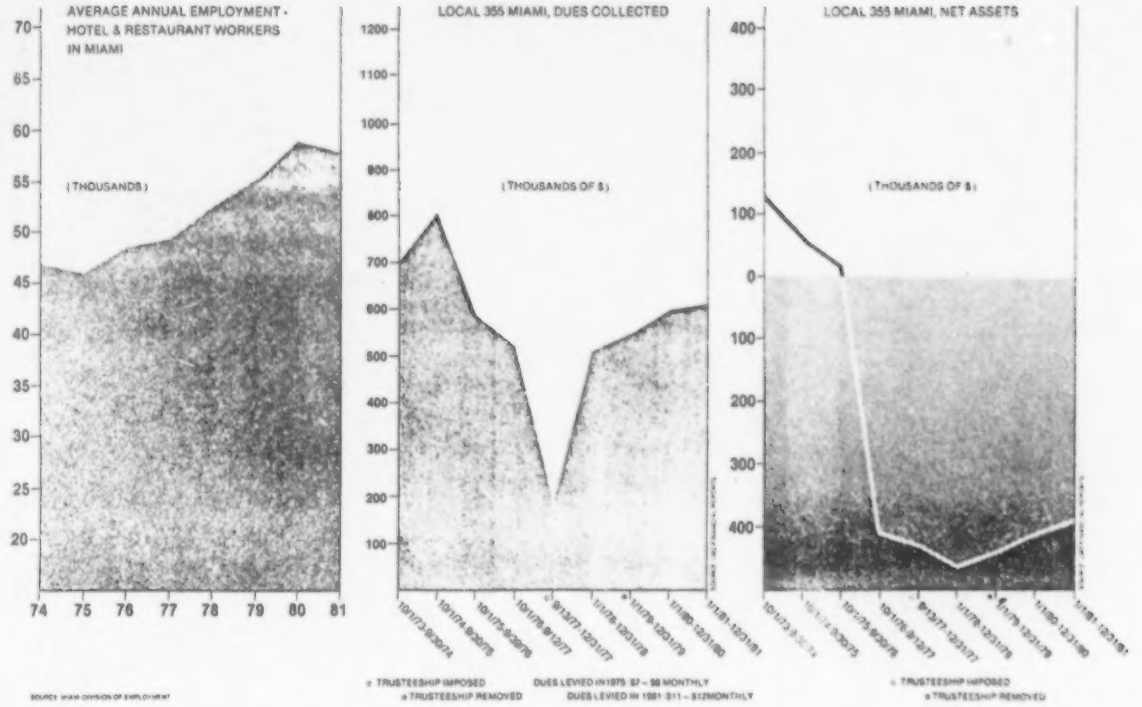
Senator RUDMAN. Mr. Faulkner, I believe you have some charts which you would like to introduce and explain to us and we will put them in the record.

Mr. FAULKNER. Yes, sir.

[The charts referred to was marked "Exhibit No. 10," for reference, and follow:]

EXHIBIT NO. 10

MIAMI



Mr. FAULKNER. The chart shows the Miami local situation from about 1974 to 1981.

The first chart on the left indicates the average annual employment in that industry in Miami. In other words, the potential membership for the union in that area.

The middle chart shows the dues collected by the local and, obviously, shows quite a drop and the third chart shows the net assets of that local which from about 1974 on, have been in the red and currently run around a minus $400,000.

Senator RUDMAN. We will incorporate those into the record.

Certainly, it looks like that local is a candidate for trusteeship.

Would you agree?

Mr. FAULKNER. I think that this points out that if they wanted that local in trusteeship, they could do that, but as long as they have their people there they don't need to. Other locals in the country that have had less problems than this have been put in trusteeship, obviously, because they had other motives.

In fact, I might mention here that we were told that Tony Fernandez, whom I mentioned earlier, was the current president of the local that if he chooses to run for secretary-treasurer against Mr. Gonzalez in 1985, that the international, if he wins, will put the local in trusteeship.

So it discourages anyone from mounting any kind of an effort to take over the local.

Mr. WEILAND. Mr. Chairman, if I might offer for the record, a Miami news article, dated February 28, 1983, by Robert Adams, which explains the economic situation in the Miami area and certainly that could be said to account for the membership problem in the local.

Senator RUDMAN. You want that inserted in the record?

Mr. WEILAND. Yes, sir.

Senator RUDMAN. We will insert that in the record at this point.

[The Miami News article referred to dated Feb. 28, 1983, follows:]

[From the Miami News, Feb. 28, 1983]

HOTEL UNION STRUGGLING TO HOLD ON TO WHAT IT ALREADY HAS

(By Robert Adams)

In these recession-crimped times, many labor unions find it is hard to make gains when they spend much of their time trying to hold on to what they have, or to recoup what they have lost.

One of South Florida's largest unions—Local 355 of the Hotel-Motel Employees—has been learning that lesson in recent encounters with Dade County hotels.

Local 355, which has about 7,000 members in Dade and Broward counties, has been trying since last July to negotiate a new contract covering about 1,000 workers at the Doral Beach Hotel, the Doral Country Club and the Carillon Hotel. Although the contract that expired in July was a three-year agreement, the proposal management has made would provide wage terms for only one year.

Joel Gray, executive vice president of Doral Hotels of Florida, said the new proposal was for one year instead of three because of current "unsettled economic conditions." The two sides would have to resume negotiations about wages after the year elapses, Gray said.

"Employers are arguing it's been a bad tourist season, and it's hard to project (the coming season)," said Robert Shwab, assistant business manager of Local 355. "Nobody wants to get tied down on wages."

Although it has slowed its pace, the continuing rise in the cost of living requires that the union continue to press for pay increases, particularly since many of its members receive wages near the legal minimum, Shwab said.

In current talks with the Doral and other hotels, including the Fontainebleau Hilton, bargainers find it hard to obtain new or expanded benefits, Shwab said. Local 355 also has been trying since last July to renegotiate a contract for about 1,200 workers at the Fontainebleau. Terms of that agreement probably will hinge on the Doral settlement, Shwab said.

For almost three years, Local 355 has been struggling to regain its footing as the representative of 150 workers at the Eden Roc Hotel in Miami Beach. After representing Eden Roc workers for many years, Local 355 lost an election there following expiration of a union contract in March 1980.

The National Labor Relations Board declared that election invalid because of interference by management and held another vote in October 1981.

Questions about the voting eligibility of several workers clouded the outcome of the second election. After a recount of the ballots, the NLRB determined the result to be 62 votes for Local 355; 31 votes for Local 3 of the Hotel Resort Service union, another group representing hotel workers in the Miami area; and 20 votes for no unions. Having achieved a majority of the votes, Local 355 last month received the NLRB's certification to represent the Eden Roc workers.

However, Local 355 still has not made it back to the bargaining table with Eden Roc management. Representatives of union and management have held an informal meeting to talk about the status of their relations, but the Eden Roc has not committed itself to negotiate with the union.

Eden Roc chief executive officer Charles Schlakman said the election took place before the hotel's present owner, developer Tibor Hollo, took control. However, Schlakman said the NLRB failed to notify the former owners of hearings on the challenged ballots. That was an error, Schlakman said, because "only the former owner could have explained" the status of the challenged ballots.

"Club Eden Roc Inc. has to decide the best course of action to protect the rights of its present employees," Schlakman said. "Club Eden Roc is now considering whether to press its case with the full National Labor Relations Board in Washington or whether to bargain with the union."

If the Eden Roc does not go into contract negotiations with Local 355, the union may have the right to file charges of unfair labor practices—specifically failure to bargain—with the NLRB. Final resolution of the dispute through the courts could take many more months, said Karen LaMartin, assistant regional commissioner of the NLRB in Tampa.

Harold Boirer, NLRB regional commissioner in Tampa, said employers generally are being more "hard-nosed" in bargaining with unions. When unions file charges of failure to bargain, employers are more "adamant" in contesting them, he said. "They blame it on economic conditions," Boirer said.

In a developing dispute with the Sea Isle Hotel in Miami Beach, Local 355 last week filed charges with the NLRB, alleging that the hotel cut wages and benefits in violation of the union contract, which covers about 35 workers. The NLRB has 30 days to determine whether to begin a full investigation of the charges, LaMartin said.

Patricia Caseras, a representative of the Sea Isle's owner, a Netherlands Antilles corporation called Larter, N.V., said the contract with Local 355 expired Dec. 31. She said she did not know the owners' plans regarding a new contract and declined to comment further.

Trying to protect its position in hotels such as the two Dorals and regain its position at the Eden Roc has kept Local 355 from being able to devote much effort to expanding its membership through organizing drives at new Dade hotels, such as the Hyatt Regency downtown, Shwab said. "We're too busy fighting," he said.

Senator RUDMAN. I think we are disappointed, of course, that Mr. Gonzalez is ill and Dr. Lien is ill today. As a matter of fact, I was saying to counsel, Mr. Faulkner, during our discussions here, that maybe we ought to have the National Center for Infectious Diseases in Atlanta investigate the background of this subcommittee because it seems to me that over the last 2 years, every time we subpena or ask certain witnesses to appear, they have been ill.

I think that we are going to have to followup. I would read into the record that Dr. Lien let us know this morning at 8:30 that he wouldn't make it. We have sent him a wire which I will read into the record.

It says:

Dr. Lien. The Senate Permanent Subcommittee on Investigations was notified at 8:30 a.m. this morning that you would not appear pursuant to subpena. If a medical reason prevents your appearance, appropriate documentation is required. The Senate Permanent Subcommittee on Investigations will consider appropriate sanctions for noncompliance and continue the subpena until a date to be determined. S. Cass Weiland, Chief Counsel.

As far as Mr. Gonzalez is concerned, I think we will have to discuss with staff just what we want to do in that particular matter as to whether or not at a subsequent date we want to subpena him.

Mr. Faulkner, before you leave the witness chair, I want to simply express to you on behalf of the chairman and the entire committee our gratitude for your extraordinary service and dedication to the work of this subcommittee.

Let the record show that you are a long-time member of the Federal Bureau of Investigation. You were loaned—I guess, to the subcommittee for a short time and you have been with the subcommittee for 2 years.

It is my understanding that you will return to your normal bureau duties after today.

Mr. FAULKNER. Yes, sir.

Senator RUDMAN. Today is your last day with the subcommittee. We certainly will miss you. You have done yeoman's service to this subcommittee, bringing a great background of law enforcement and investigation and we certainly wish you well.

Mr. FAULKNER. Thank you, Mr. Chairman.

I appreciate those remarks very much.

Senator RUDMAN. Our next witness is Joel Keiler, a labor attorney from Washington, who represents certain Miami area hotels in the labor-management field.

Mr. Keiler is here today in response to a subpena issued by the subcommittee. Mr. Keiler, the rule of the Permanent Subcommittee on Investigations is that all witnesses appear under oath.

So if you have no objection, we will administer that oath.

Do you swear the testimony you are about to give in the course of this hearing will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. KEILER. Yes.

Senator RUDMAN. If you will, please, identify yourself, your name, address, and occupation.

TESTIMONY OF JOEL KEILER, LABOR ATTORNEY

Mr. KEILER. My name is Joel Keiler. One of my office addresses is 1424 K Street NW., Washington, D.C.

I am an attorney. Most of my compensation is derived from representing management for labor relations.

Senator RUDMAN. Do you also maintain offices in Florida?

Mr. KEILER. Yes. I have an office in Miami, Fla. My major client there is the Southern Florida Hotel-Motel Association. I represent them for all labor relation matters.

Senator RUDMAN. When did you start representing this association?

Mr. KEILER. In the last couple of days of 1976 after the strike began down there. It has continued to this day; my representation, that is, not the strike.

Senator RUDMAN. About how many hotels are involved in this association?

Mr. KEILER. At this time, approximately, 10 hotels as regular members and then there are quite a few hotels in a different membership category. They are not full members.

Senator RUDMAN. About how many employees are employed by these member firms?

Mr. KEILER. Somewhere between 2,000 and 3,000, depending on how good business is.

Senator RUDMAN. Mr. Keiler, we are interested in obtaining some insight into the current problems of local 355 of the union. In order to accomplish this I think it is necessary to obtain some information concerning the strike in December of 1976, January 1977, and the collective bargaining agreement that resulted. Who did you deal with on the union side?

Mr. KEILER. It started at the first meeting that I attended at the Federal Mediation Conciliation Service. The union was represented by Seymour Gopman. Parenthetically I should say he is the best union attorney I have ever dealt with but unfortunately he has also been convicted twice and has served a jail term since the strike.

Senator RUDMAN. He has recently been convicted?

Mr. KEILER. For a second time.

Senator RUDMAN. On what charge?

Mr. KEILER. I am not sure. It had something to do with labor racketeering. But I am not sure. The first charge also had something to do with labor racketeering. I think it most likely had to do with the Laborers' Union. He represented several unions in south Florida, among them the Hotel, Restaurant Employees' Union. But most of his legal problems have been involved with the Laborers' Union I believe.

Senator RUDMAN. Who else was involved in those negotiations on the union side?

Mr. KEILER. Pinky Schiffman and Armando Vasquez. The meeting with them lasted probably less than an hour. They caucused and when they came back after caucus, Hanley, Reynolds, and Gibson walked into the room and announced they were taking over the negotiations.

Senator RUDMAN. Hanley being the international president?

Mr. KEILER. That is correct. Reynolds is the attorney, and Gibson I believe at that time was the international secretary-treasurer. I think he no longer has a union office because he also was convicted of certain crimes.

Senator RUDMAN. They excluded the local people from the negotiations?

Mr. KEILER. The local people sat there through the rest of that meeting but from then on until we had the contract wrapped up no local person was present at negotiations.

Senator RUDMAN. It is our understanding that Mr. Hanley, the international president, had a strong interest in having the local's pension fund merge with the international's. Is that true?

Mr. KEILER. On the last day of negotiations which was Thursday, January 13, he toward the end made a pitch for us to merge the local pension fund with the international. We rejected it. Our fund had approximately $8 million. It was all liquid. I believe we had it invested with insurance companies. We may have even owned a piece of the rock. I am not sure which insurance company it was now. The international had a total of about $30 million and when we saw what was going on here, that our local had $8 million, the entire international had only $35, we had the opinion, that is management had the opinion, that the international must not be managing its funds too well.

The pension was small enough as it was for the employees. What little there was we wanted to make sure they got it. So we told Mr. Hanley that we would not merge.

Senator RUDMAN. You were trustee at that time. Is that correct?

Mr. KEILER. No, shortly thereafter I became a trustee, in March of 1977. Management much to my chagrin, asked me to become a trustee in order to sit on the union. They thought I could say no to them whereas they would rather not. It wasn't a pleasant thing for me but the client was asking me to do something, something I needed to do.

Senator RUDMAN. How long did you serve as a trustee?

Mr. KEILER. From about March of 1977 until about April of 1982.

Senator RUDMAN. Might I ask what it was that ended your trusteeship?

Mr. KEILER. Two things. One is that most of the hotels I represented went nonunion. So although we were still trustees and looking after the money that was already in, we weren't contributing. That was one factor and the other factor is that management just got sick and tired of the abuse from the trustees meetings.

Senator RUDMAN. Yesterday our witness, Mr. Hauser, testified that he thought that the law should do away with fund trustees being constituted as they are. Do you agree with that?

Mr. KEILER. I agree with what he said. I think the way it is set up now with an equal number on each side, the appearance of fairness is a charade. I think there are some that may have altruistic management trustees and they are looking after the employees and trying to do the best they can. I think those are a small minority. I think most trusts have stooges as the management trustees that do whatever the union wants, the feeling from management's standpoint being that if there is no union, management is trying to take care of their employees.

Once the employees vote for the union, now the union represents them and management let's say is paying $100 a month for the employee into a health insurance fund, the employees pick the union, let the employees and the union worry where the money goes. Management pays it, and has no more interest in it.

Senator RUDMAN. One of the important checks and balances and safeguards over these enormous funds that has been removed by the operation of this system by law.

Mr. KEILER. My opinion is there are no checks and safeguards. Even where the management trustees are trying to do their best, if management and the union deadlocks the procedure is arbitration. That is an expensive procedure. Management is paying enough under the con-

tract. Why do they have to pay more to pay the arbitrators fee, obtain counsel, have witnesses?

We tried to get rid of the dentist that the union was pushing very hard, Mr. Bendursky. They forced us to go to arbitration. Then they flew in union business agents from all over the country. They flew Ron Richardson from the Washington, D.C. area down to Miami to testify in the case. It was at a great expense for management to have to go through that arbitration. Management doesn't need that sort of thing.

Senator RUDMAN. Going back to the fund of this local which you refused to merge, it had been $8 million in liquid assets at that time?

Mr. KEILER. At that time we had approximately $8 million. Yes.

Senator RUDMAN. Do you know how much is in that fund now?

Mr. KEILER. I believe it is probably over $9 million, but I haven't been a trustee in over a year. For all I know, it could be merged now. I don't know.

Senator RUDMAN. Armando Vasquez, formerly an officer of local 355, stated that he questioned Hanley and Pinky Schiffman of 355 about the terms of the contract. Were you present during this exchange?

Mr. KEILER. Yes, sir. It is an interesting story just leading up to it.

Senator RUDMAN. You go right ahead.

Mr. KEILER. We wrapped up the contract on Thursday, January 13. Hanley and I and the other management people shook hands on it. We did all of the successful negotiating away from Federal Mediation and Conciliation. Whenever we were meeting with Federal Mediation and Conciliation absolutely nothing happened. Hanley said Federal Mediation and Conciliation was feeling bad about this and would we go along and put on a show for them on Friday night, do it at their offices, let them take credit for wrapping it up. So we said OK.

Senator RUDMAN. Who asked you to do that?

Mr. KEILER. Hanley. So on Friday we met at Federal Mediation, the head of Federal Mediation at that time, Mr. Scearce was present and all of the Federal mediators. There is a particular bone I had to pick with Mr. Scearce. He and I were flying back and forth to Washington. I always went coach. He always went first class. He was present, the mayor of Miami Beach was present, there were a lot of other officials, almost all the hotel owners and general managers and all the union people.

There were some speeches made about how happy we were, that Federal Mediation was so successful in wrapping this up. Then we were asked, management was asked, to list the things that were going to be in the contract. We started to list them. Armando Vasquez reached into his pocket, pulled out an envelope, on the back of the envelope it was like a laundry list. He started reading certain things.

He said do we have this, do we have this, do we have this? I turned to Hanley, I said I thought we had a deal. What is going on here? Hanley and several of the union people took Armando Vasquez into one of the Federal Mediation and Conciliation smaller rooms in the back. Then they sent for me and a couple of the other management people. Vasquez asked his questions again, we told him no, no, no, no for each one of the things.

There was a plea by the international to make some change, I forget now what it was, but it was purely cosmetic, had no substance at all. We agreed to it. We went back into the room and announced our deal.

Senator RUDMAN. It is our understanding that, after the contract was signed, a dispute arose over rehiring practices which resulted in protracted litigation before the National Labor Relations Board. Could you elaborate on that?

Mr. KEILER. Yes. During negotiations we mentioned to the international that the hotels over the years at the insistence of the union had hired a lot of people that weren't, just weren't good. In many cases they were relatives or the friends of the union business agents and we had a lot of people on the job who just because they had gotten older and were less mobile weren't too good and we wanted to get rid of these people. Reynolds told us to use a certain provision to get rid of them. We said we would have a lot of grievances, arbitrations, we told them we have another way of doing it. We will lay them off, we will claim they were not qualified.

Hanley and Reynolds said OK. I have been informed by Mr. Kramer, it is something he heard that I didn't hear, he said that they said just let us get out of town, let the dust settle and then do it. An attorney for the National Labor Relations Board at this litigation stated on the record that the union had told her if we waited 2 weeks there never would have been any litigation. They just wanted the dust to settle. Unfortunately we didn't let the dust settle. And about 3 or 4 days after the contract was effective we laid off or the various hotels laid off approximately 400 people out of seniority.

There was a lot of litigation. Some of those people were put back by the hotels because the hotels wanted to. The vast majority of those people are still out of work. The National Labor Relations Board has never gone to the court of appeals to enforce its decision.

Senator RUDMAN. But the international union president was willing to make that deal with you and get out of town while the dust settled. He was then willing to go ahead and do it without regard to seniority?

Mr. KEILER. That was the deal. Yes, sir.

Senator RUDMAN. I wonder if you would now identify for us the health and welfare plan and explain how it was operated?

Mr. KEILER. It is a unique and very complicated plan or it was. There were two parts to it. There was an out-patient part and a hospitalization part. For the out-patient part, let's say an employee had something wrong with his foot, he would go to Dr. Werblow's clinic. He or one of the nurses would look at the employee, say you need a podiatrist, give him a slip and he would go to one of the doctors who is on the closed panel. In this case it would be a podiatrist.

If surgery was necessary, he would check into a hospital. The hospitalization was covered by an insurance fund. The whole thing was administered by Florida Administrators. They have since changed their name. Florida Administrators drew up the specifications, picked which one of the insurance companies would get bids, let the bid, got a finder fee from the insurance company, got paid by the insurance company for administering the program.

They also got paid by us for administering the program. So they were making money a lot of different ways. There was also something

else that really troubled me. We found several hundred thousand dollars in an interest-free checking account that Florida Administrators was maintaining. The management trustees forced through a resolution requiring that money to be put either in CD's, most of it in CD's, some small amount that was needed for petty cash in a daily interest. Several months later Florida Administrators still hadn't done that. We had to go back and sit on them until they did it.

Senator RUDMAN. How would you characterize the operation of this plan in terms of other plans that you are familiar with? You must be familiar with many because of your specificity in the law.

Mr. KEILER. It was abysmal. The employee got very little for his money. Some of the doctors demanded copayments. So the employees were out of pocket. Also the hospitalization I think had a major medical of about $2,700. It is hard to have a bunion removed for that much anymore. So the employees really weren't covered very well.

Senator RUDMAN. Do you recall what the monthly dues were for members of their union at that time that was subject to checkoff?

Mr. KEILER. I believe it was about $7 per month in 1977. It has increased steadily. Now depending on the category of employee I think it is up to $14 or $15 per month.

Senator RUDMAN. Spread over between 2,000 and 3,000 employees?

Mr. KEILER. In 1977 it was about 9,000 members. I think they are down now to about a little under 3,000.

Senator RUDMAN. So at that time the income to that local, in terms of checkoff, was somewhere in the vicinity of $50,000 to $60,000 a month in dues?

Mr. KEILER. That is correct.

Senator RUDMAN. The subcommittee investigation has indicated that at a trustee meeting in 1977, local 355 attorney Seymour Gopman presented an unsolicited bid for insurance coverage in behalf of Foundation Life Insurance Co. of New Jersey. Can you tell us what you recall of that situation?

Mr. KEILER. Yes. There were five bidders that Florida Administrators had picked to send the bids to. They came back with sealed bids. We were discussing them, we had the lowest bidder. That was the one that was going to get the contract. Gopman and Pinky Schiffman announced that someone from Foundation Life of New Jersey was here to talk to us. We asked who they were, why they were involved, Gopman and Schiffman showed us a telegram. They had a very low bid, underbid the other companies.

The gentleman, I don't remember his name now, but I am sure it will be reflected in the minutes of that meeting, made a speech to us. I then got up and went over to Gopman and Pinky and I said this thing smells. I don't care how low these people bid. They are not going to get it. Pinky as is his custom started cursing. He is a gentleman who can't say four words in a row without cursing. He was berating me for quite a while.

Gopman said: "Shut up, Pinky. We are not going to get it. Keiler isn't going to let us have it, and that is that." The gentleman went back to New Jersey, and I didn't realize how lucky I was until I heard Mr. Hauser testify yesterday that Foundation Life was controlled by Johnny Dio.

Senator RUDMAN. You were not advised that Ostrer was behind this deal?

Mr. KEILER. I never heard that gentleman's name until very recently.

Senator RUDMAN. You did not know at the time that he had been operating that company?

Mr. KEILER. No. I didn't know his criminal background.

Senator RUDMAN. You were not told by the union officials of his criminal background?

Mr. KEILER. No, sir.

Senator RUDMAN. I assume you were also not aware that prior to 1977, prior to your involvement with representing management, Ostrer had already sold a severance pay plan policy to local 355, again through the efforts of Gopman and Schiffman?

Mr. KEILER. I think I learned about that last month for the first time.

Senator RUDMAN. The collective bargaining agreement signed in 1977 expired in July 1980. Would you explain what transpired concerning the collective bargaining agreement and health and welfare fund after July 1980?

Mr. KEILER. In about May of 1980, we started negotiating for a new contract. We had somewhere between 5 and 10 negotiating sessions. The union had given us a proposal and refused to make any changes whatsoever. They wouldn't even change the typographical errors, the misspelled words. So negotiations broke off. To this day the union never asked for another meeting after the last week in June of 1980. And all of the hotels in the association at that time that were negotiating are now nonunion.

In about—early September, there was a letter on local 355 stationery signed by Al Gonzalez as secretary-treasurer of 355 to Florida Administrators telling Florida Administrators to stop giving medical benefits to the employees at the hotels that were nonunion. By ruling of the National Labor Relations Board during negotiations until impasse is reached, and we didn't know if an impasse was reached or not, the employer cannot make unilateral changes. So we could not stop the medical benefits or the pension benefits. We were sending our checks in every month.

Senator RUDMAN. Even after the contract expired?

Mr. KEILER. That is correct. It goes on for an indeterminant time and basically until impasse is reached. Gonzalez told Florida Administrators to stop providing medical benefits. To add insult to injury, not only did Florida Administrators do that which they had no authority to do, they turned our checks over to Al Gonzalez. Al Gonzalez had the employer checks for the health insurance in his pocket.

Senator RUDMAN. You had no idea what he did with them?

Mr. KEILER. We stopped payment on them. I don't know what he did with them after that. We were covered for September because of our August payment. Because the September payments weren't accepted the employees had no coverage whatsoever for October. We went out and found a health maintenance organization that gave us much better coverage for the same price. If we could have brought in the union also and all of the people who were still in the union we would have gotten an even lower price.

Gonzalez refused. He stayed with the old plan. We went to the HMO. We then had several elections and our big campaign issue was

why do you want the union, they have worse health insurance than we have. We have won every election. Thereafter Gonzalez changed from the old plan to a different HMO that he found. We made the comparisons, our HMO was better and less expensive. We won the next election comparing HMO's. Finally, Gonzalez switched and he is now using the same HMO that we are using, but he is paying more and his benefits aren't as good.

Senator RUDMAN. In the meantime he has lost substantial membership and a number of the clients that you represented that were originally union are no longer union?

Mr. KEILER. That is correct.

Senator RUDMAN. I understand without taking too much time that the dental, the benefit plan offered by the association and provided by local 355, was quite a difference.

Mr. KEILER. The big difference is in the access to the dentists. Bendursky, who is the old dentist was making most of his money—well, we figured out one time that we were sending him about $560,000 a year. He was sitting in Chicago. He hired a local dentist, opened up an office, his net without him ever working was about $300,000 a year. We figured there had to be something wrong.

[At this point, Senator Nunn entered the hearing room.]

Mr. KEILER. The way he was doing this was he never scheduled appointments. He got all the prepaid dental payments but the employees never got their teeth fixed. When we switched dentists we got a dentist who stayed open nights and weekends and made appointments for the same cost.

Senator RUDMAN. I believe that the dental program of the union is currently under investigation by the Labor Department. Is that correct?

Mr. KEILER. There are a great number of things about local 355 that are under investigation. That is one of them. Yes.

Senator RUDMAN. As you have already testified, their membership has dropped dramatically during the period that you have been involved in this?

Mr. KEILER. Yes, sir.

Senator RUDMAN. Is it also true that there have been major new hotels built in the Miami area, at least six of them in the last few years?

Mr. KEILER. At least half a dozen.

Senator RUDMAN. Has there been any successful organization by local 355 of those hotels?

Mr. KEILER. None.

Senator RUDMAN. Mr. Keiler, before yielding to my colleague, Senator Nunn, I just want to say that, although you appear here under a subpena, that subpena was because you felt, because of your position, that that would be a desirable way to come forth. But you have been a very willing and forthright witness and we appreciate that. I want to point out for the record that we would very much like to have had a balanced hearing this morning. We would like to have had Mr. Gonzalez and Mr. Fernandez explain some of the problems that this union has had which, if at all possible, may have counterbalanced your testimony. They have of course chosen not to appear at this time. Maybe we will get them in the future.

Senator Nunn?

Senator NUNN. Mr. Chairman, I will not have any questions at this point. I have had to be in the Armed Services Committee meeting in the last hour. I regret I am late. But I will have questions later.

Senator RUDMAN. Thank you very much, Mr. Keiler.

We appreciate your testimony this morning.

We will call as our next witnesses Brian Hitt and Joseph Gavalis, Department of Labor investigators.

Gentlemen, I believe you are familiar with the rules of the subcommittee. If you would please raise your right hand, do you swear the testimony you are about to give in the course of this hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HITT. I do.

Mr. GAVALIS. I do.

Senator RUDMAN. Mr. Hitt, I believe that you will be the first witness. If you would simply identify yourself for the record and proceed.

TESTIMONY OF BRIAN HITT AND JOSEPH GAVALIS, ORGANIZED CRIME AND RACKETEERING SECTION, DEPARTMENT OF LABOR

Mr. HITT. Thank you, Mr. Chairman.

It is a pleasure to be here today to discuss the Hotel Restaurant Employee's & Bartender's Union (HREU), local 151, Atlanta, Ga. I have been a special agent for the organized crime and racketeering section of the Department of Labor, Office of the Inspector General for the past 4 years, and I am presently assigned to the Department of Justice, organized crime strike force, in Buffalo, N.Y.

Prior to this, I was with the Atlanta Police Department for 10 years, 7 of which I was a sergeant in the Intelligence Division.

In 1973, while with the Atlanta Police Department, I was contacted by a confidential source who expressed concern over a situation which was developing in Atlanta involving the Hotel Restaurant Employee's & Bartender's Union and felt the police department should be aware of it.

He indicated that an individual was in Atlanta working for the HREU whom he knew from the past. This individual had a reputation as an enforcer for organized crime elements in the Northeast and for using strong-arm tactics to organize hotel employees on behalf of the HREU.

The HREU was mounting an intensive drive to organize hotels in Atlanta with their first priority being the Stouffers Inn. My source felt that the police department could expect trouble if the international was sending in this type of individual to organize hotels.

Within 2 weeks of receipt of this information, an employee of Stouffers Inn was assaulted near the employee entrance of the hotel when he refused to sign a union authorization card. Other employees refusing to sign union authorization cards or who spoke out against the union received threatening phone calls and/or visits to their homes while they were at work. Organizers for the HREU would leave messages with their children that they should vote for the union.

Confidential sources overheard an organizer say that HREU was going to organize the hotel industry in Atlanta at any cost; even if it meant breaking arms.

An incident occurred at the Downtowner Hotel involving a large group of organizers for the HREU. The organizers stormed into the

hotel lobby and kitchen causing a ruckus and forcing some hotel guests to temporarily leave the hotel.

A joint inquiry was initiated with Joe Gavalis of the U.S. Department of Labor, representatives of the Georgia Bureau of Investigation, and other law enforcement agencies while I was still with the Atlanta Police Department. The inquiry revealed that local 151 had been put in trusteeship by the international with Herbert Schiffman in complete control of the funds of local 151 and the activities of the organizers. Schiffman brought in most of the organizers from out of State.

Contacts with law enforcement agencies in other States revealed that many of these organizers had criminal backgrounds and/or were associates of known organized crime figures in other parts of the country. Some of these organizers had no previous union organizing experience.

Contacts with these same law enforcement agencies verified informant information that the HREU was controlled by organized crime elements to some degree in other parts of the country as this subcommittee is now aware.

It was a major concern of the police department that these individuals not gain a foothold in Atlanta, opening the way for other organized crime elements to follow. It was only through the close, working relationship between local, State, and Federal law enforcement agencies coordinated by the Justice Department's Organized Crime Strike Force that we were able to monitor the situation and successfully prosecute Herbert Schiffman on a Taft-Hartley Act violation, and later John Timperio for embezzlement of international union funds.

Mr. Chairman, this completes my prepared statement and I would be glad to answer any questions that you might have.

Senator RUDMAN. Mr. Gavalis, if you would like to proceed with your statement.

Mr. GAVALIS. Thank you, sir.

Mr. Chairman and members of the subcommittee, it is a pleasure to be here today to discuss Hotel & Restaurant Employees' & Bartenders' International Union—HREU—Local 151, Atlanta, Ga. I have been a special agent for the organized crime and racketeering section of the Department of Labor, Office of Inspector General, for the past 5 years and am presently assigned to the Atlanta office of the Department of Justice organized crime and racketeering section's strike force. Previous to this, I was an investigator in Atlanta, Ga., with the Labor-Management Services Administration, U.S. Department of Labor, from 1970 to 1978. In both capacities I have spent many hours working on matters related to the HREU in Atlanta, Ga., and throughout the United States.

In the late 1970's HREU 151 was a small local which had locally elected officers. In an effort to increase organizing efforts, local 151 asked the international, in 1970, for "administrative assistance," which would enable it to get a small subsidy for organizing. Although the international's constitution is somewhat ambiguous on this point, this request for assistance resulted in the imposition of a trusteeship in 1970.

Following Ed Hanley's election as international president, in early 1973, Herbert "Pinky" Schiffman was named as the new trustee for local 151 and international vice president. Pinky Schiffman had pre-

viously been in charge of local 255 in Miami, and even as the trustee in Atlanta, he split his time between these two cities, normally spending weekends in Atlanta.

Senator NUNN. Mr. Chairman, if I may ask one question, I think it will make the rest of the statement clearer. When you say they were under trusteeship, the international union sent someone to actually take charge and run the union?

Mr. GAVALIS. That is right.

Senator NUNN. Usually that trusteeship grows out of other problems when they impose trusteeship. That is taking away the autonomy, taking away the local people's right to choose their own leader, and so forth. What caused this trusteeship to be set up?

Mr. GAVALIS. This was initiated by the people in Atlanta in order to get more money to organize and in exchange for the money from the international, an administrative assistant was put in. In essence, a trustee was named, who was an international representative to control the Atlanta local.

Senator NUNN. Is it normal for a local to say in exchange for money we will take your leader instead of our leader and that we will not do our own election, we will take someone from the international to run the union? I had not heard of that element of the trusteeship. That seems to be a different twist on it.

Mr. GAVALIS. Yes, Senator. It is a different twist. It is fairly common in the HREU. They have a provision in their international constitution that allows them to do this.

Senator NUNN. In other words you get money from an international and there are big strings attached, the international sends someone down to actually run it?

Mr. GAVALIS. Yes.

Senator NUNN. Is that common in other unions?

Mr. GAVALIS. Not to my knowledge.

Senator NUNN. Isn't a trusteeship normally imposed when there is some severe financial problem, when there is a fiduciary problem, suspicion of wrongdoing, suspicion of fraudulent elections, intimidation?

Mr. GAVALIS. Yes, or to enforce the bargaining agreements, or for failing to have democracy in the union.

Senator NUNN. This was essentially a volunteer trusteeship?

Mr. GAVALIS. Initially, yes.

Senator RUDMAN. Which, of course, I would follow up by saying that the bottom line is the international gets control of the pension, health and welfare funds and so forth that are involved in that particular local.

Mr. GAVALIS. Yes. There is no local autonomy at that point.

The international also assigned approximately 12 to 14 organizers to Atlanta since Ed Hanley had targeted it as a priority city for organizing.

The international and Hanley also targeted the Stouffer Hotel chain as a top organizing goal. With a new Stouffer Hotel in Atlanta, Ga., opening at that time, a massive organizing campaign was initiated.

A review of published minutes of the HREU international executive board showed that on June 13, 1973, Hanley was given the authority to purchase the Stouffer Hotel group from its parent owner, Nestles' Corp. in Switzerland, if that was what it took to organize that hotel chain.

Working with Sgt. Brian Hitt of the Atlanta Police Department, Georgia Bureau of Investigation personnel, and Fulton County DA investigators, a joint Federal/State inquiry began.

Shortly thereafter in 1973, the Department of Labor received a complaint regarding the imposition of the trusteeship and I was assigned to investigate this complaint. Under LMRDA, a written complaint must be made before the Department of Labor will initiate an investigation.

During this same period international funds were spent freely, with a substantial amount of expenses being charged to the union as organizing expenses. This included frequent and excessive meal, bar, and entertainment expenses, and large tips often signed off by Pinky Schiffman.

Little, if any, organizing was actually done and the results bear this out. One organizer, Richard Skolnik, was never seen in Atlanta, even though the international was paying his salary and expenses as if he were there. Other persons were hired solely because they were somebody's relative or friend. These individuals had no union experience and it is alleged that they probably did little or no union work while in Atlanta.

Through investigation, the Department of Labor estimated that over $1 million had been spent by the international in Atlanta, just over the span of a few years, for organizing.

Pinky Schiffman was indicted and convicted in Federal court in Atlanta, Ga., for violating the Taft-Hartley Act, 29 U.S.C. 186(b) by requesting and accepting a hotel rate of $16 a night for 80 nights at the Hyatt Regency, Atlanta, Ga., when evidence showed the cheapest corporate rate was $31. The difference totaled $1,280, which was money in Schiffman's pocket.

After a while Schiffman and the others left Atlanta, having set back organizing efforts substantially instead of improving them. While they were there, rank and file members of the union were completely uninformed since meetings were rarely held.

Schiffman left local 151, and John Timperio, international organizer and the actual day-to-day overseer of local 151 for Schiffman, campaigned and won an election against local members of 151 for the office of business manager. By August 1975, local 151 was out of trusteeship, but was no headed by this ex-international representative.

Timperio's wife, Alice Haggerty, was appointed as a State organizer and was paid by the international. In 1979, John Timperio and his wife, Alice Haggerty, pled guilty in Federal court in Atlanta, Ga., to embezzlement of international funds and falsifying international records. They pled to a scheme where Timperio's wife was paid as a State organizer working in Atlanta, when in fact she worked at the Diplomat Hotel and lived in Hollywood, Fla.

Upon the Timperios' convictions, John McCarthy, a relative of international president Ed Hanley, ran for and was elected to the office vacated by John Timperio. He was, and is, an international representative paid by the international union and reports directly to the international.

Today, local 151 is a local with approximately 500 members. When Schiffman arrived there was close to 1,000 members and prospects were good for increased membership.

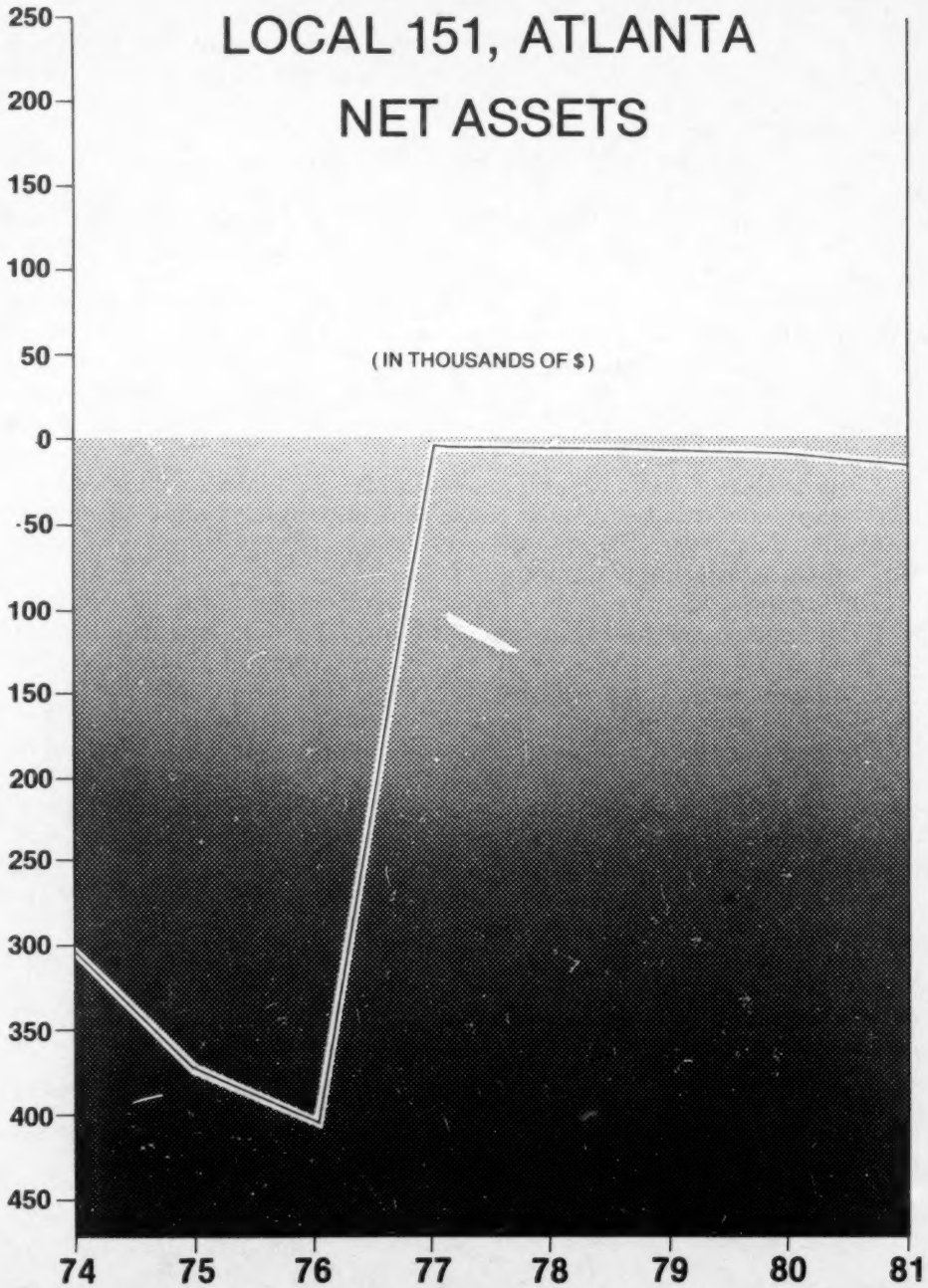
My experience with local 151, as well as with another, more recent trusteeship investigation which involved the Marble Terrazzo. Fin-

ishers & Shopmen International—title workers—in Atlanta, has shown how difficult it is to challenge an international's use of the trusteeship provisions. Our recent investigation of the tile workers resulted in the first criminal conviction under these provisions. Hopefully through the precedent established in the criminal case, our enforcement efforts will continue in this area.

This completes my prepared statement, Mr. Chairman. Thank you very much for this opportunity to appear before you. I would be happy to answer any questions that you may have.

Senator RUDMAN. Thank you very much.

[A chart depicting the net assets of Atlanta Local 151, follows:]



Senator RUDMAN. Mr. Hitt, we have been furnished with what appears to be a copy of an intelligence memorandum prepared by law enforcement authorities. Are you familiar with the document that I am referring to here?

Mr. HITT. May I see it?

Yes. I am familiar with it.

Senator RUDMAN. Would you be free to tell us generally how you obtained this document?

Mr. HITT. This document was obtained from a law enforcement agency in the Chicago area.

Senator RUDMAN. It relates to local 278 in Chicago?

Mr. HITT. Yes, sir. It does.

Senator RUDMAN. It also relates to Mr. Hanley's Chicago local, describes mob influence and predicts Mr. Hanley's ascension to power in the international union?

Mr. HITT. Yes, sir. It does.

Senator RUDMAN. Do you believe it is an authentic document?

Mr. HITT. It was presented to me as such.

Senator RUDMAN. You received it from people who you would deem to be reliable?

Mr. HITT. Yes, sir.

Senator RUDMAN. The document is undated. Could you give us an estimate of when it was prepared?

Mr. HITT. I believe the best estimate would be somewhere around 1969.

Senator RUDMAN. It s a very interesting document. Unless there is objection I would like to have that incorporated into the record at this time.

Senator NUNN. No objection.

[The document referred to was marked "Exhibit No. 11," for reference, and follows:]

EXHIBIT No. 11

Local 278, Bartenders & Beverage Dispenser Union, Chicago, Ill.

Local 278, chartered by succession charter in November 1928, is an affiliate of the AFL–CIO Hotel & Restaurant Employees and Bartenders International which has a membership of more than 400,000. Local 278 has a present membership of 3,200. In 1940's this Local was under the influence of the criminal element in Chicago. Reportedly, Frank Nittie forced the union to accept Louis Romano as an union official. Other hoodlums named in connection with this union in the past were Murray "The Camel" Humphreys, Paul Ricca. Louis Compana alias "Little New York", James Crowley, Louis Compagna, Frank Eddy, Fred Evans, Tom Panton, Joe Fusco, and others. Virgil Peterson, Operating Director of the Chicago Crime Commission, in his testimony before the Senate Rackets' Committee in 1958, identified Local 278 as having had a history of violence and terror that has rivaled anything the Senate Committee had heard to date. It was stated that the union was originally controlled by Danny Stanton, labor terrorist and hoodlum. It was reported that the Local was taken over by Stanton as a means of pushing certain beer and other products which he and other gangsters controlled.

At the present time, it is well known that John Lardino influences the Joint Council through Edward Hanley, Secretary-Treasurer of Local 278, and James Blakely, Secretary-Treasurer of Local 593, who controls the Joint Council as well as the individual locals which make up the membership in the Joint Council. Anthony Zaleski, past President of Local 278, is friendly with James Meo. Hanley was recently put in the Chicago Joint Council as President when John E. Cullerton became the State Director of Labor in Illinois.

Edward Hanley was brought into union in 1964 by John Lardino. Hanley transferred from Local 450, Cicero, Illinois, to Local 278 and was raised to

present position when Aloysis Tack was murdered. Hanley's father, known as "Stick" Hanley, formerly dealt cards at the old Vernon Country Club, Deerfield, Illinois, in the employ of Rocco Fischetti and Murray "The Camel" Humphreys.

Thomas Normile, the former officer of Local 278, who lost in election to Edward Hanley, is now employed as a bartender at the Washington Park Race Track in Homewood, Illinois. It is believed that this assignment for Normile may be some form of a payoff to keep Normile from disclosing information which might be detrimental to the controlling body of Local 278.

It was reported in 1965, that since Joseph McElligott suffered a recent heart attack, Edward Hanley is in complete control of the union. Hanley is friendly with Richard Regan, General Manager of the Pick Congress Hotel in Chicago. It is believed that Regan does different favors for Hanley in return for consideration from Hanley in the form of Hanley's overlooking the various violations of the union contract.

It is alleged that bartenders buy their jobs and make payoffs to work. Hank Burns is the "bagman" for these payoffs and gives the money to Edward Hanley and Joseph McElligott, officers of Local 278, who in turn give money to Lombardi and eventually to Joey Aiuppa. Bartenders at the Arlington Park Race Track are alleged to be making such payments; this information was obtained from an informant who is bartender at race track.

Late in 1965, it was reported that Edward Hanley, Secretary-Treasurer of Local 278, is a "terrific organizer" and that Hanley is in line to take over the job of International Representative when James Blakely, Secretary-Treasurer of Local 593 retires; and eventually Hanley will become International President in Cincinnati when Edward Miller steps down.

The Department of Labor's National Investigative report dated January 5, 1967, stipulated that Local 278 was under hoodlum influence—category 4. Specifically, it related that throughout the Hotel and Restaurant group in Chicago, the names constantly appearing are Ed Hanley, John Lardino and Joey Aiuppa, with Aiuppa allegedly on top. All are associates of Gus Zapes. Other figures active in Milwaukee Hotel and Restaurant Unions are Phil Valley and Ben Barick, also Zapos associates. Other questionable Locals are Local 25, Local 88 and Local 278.

Senator RUDMAN. I will address these questions to both of you. You may decide which of you would like to answer then since you are both familiar with the background of the facts that are required to answer the questions.

Gentlemen, wasn't local 151 making pretty good progress in its organizing efforts prior to Schiffman's appearance in Atlanta even though they were spending a great deal less money?

Mr. GAVALIS. Yes. In approximately 1973 when Schiffman came in I believe the best information that our investigation developed was that there were approximately three or four houses they called on under contract, or about to come under contract. They were spending roughly an estimated $5,000 a month on organizing it.

Senator RUDMAN. Once the trusteeship took place, those efforts, in spite of all of the money, really tailed off?

Mr. GAVALIS. Yes. Very much so.

Senator RUDMAN. Do you know if the international union ever took any steps to try to buy the Stouffer Hotel chain from Nestles?

Mr. GAVALIS It is my information from sources who are ex-151 officials that, yes, a delegation was allegedly sent to Switzerland. I have not verified that.

Senator RUDMAN. Were there not some expenses reimbursed to these members by the international?

Mr. GAVALIS. I believe there were. I believe it shows in a report by the HREU that showed the expenses.

Senator RUDMAN. We have a record of a check in that financial statement of that union. It shows organizing activities, re: Stouffers, Nestles' Corp., Geneva, Switzerland, $100,000.

[The material referred to follows:]

FINANCIAL STATEMENT

RECEIPTS and EXPENSES

OF THE

Hotel & Restaurant Employees and Bartenders International Union

For the Month Ending May 31, 1973

RECEIPTS

May, 1973

Date	Local		
29		Joseph Medeiros, Advance, Auditing Comm.	600.00
29		Marcell A. Kenney, Advance, Board Metting	500.00
29		David Siegal, Advance Board Meeting	500.00
29		Myra K. Wolfgang, Advance, Board Meeting	500.00
29		Paul P. McCastland, Advance, Board Meeting	500.00
29		John Gibson, Advance Board Meeting	500.00
29		Lester J. Green, Advance, Board Meeting	500.00
29		Phil L. Valley, Advance, Board Meeting	500.00
29		Gertrude Sweet, Advance, Board Meeting	500.00
29		C. T. McDonough Advance, Board Meeting	500.00
29		O. Zambri, Advance Board Meeting	500.00
29		Richard W. Smith, Advance, Board Meeting	500.00
29		Herman Leavitt, Advance, Board Meeting	500.00
29		Herbert Schiffman Advance, Board Meeting	500.00
29		Anthony Anselmo, Advance, Board Meeting	500.00
29		Def., Org. Activities re. Stouffers (Nestle Co.), Geneva, Switzerland	100,000.00
29	7	Defense	1,000.00
29		Frank Marulda, Advance exp.	1,500.00
29		Joseph A. Clair, Advance exp.	500.00
29	379	Defense	520.00
29	862	Defense	700.00
30	498	Defense	20,000.00
30		Jo Ann Cortes, Adv. exp.	100.00
30		Robert E. Juliano, Sr. Advance exp.	1,000.00
30	103	Defense	930.00
30		Cable, Transfer of money to bank in Switzerland	2.25
30		Rubber stamp	7.37
30		Telephone	56.04
30		Expressage	87.84
30		Robert L. Diefenbach, Gen. Secy.-Treas., exp.	1,065.00
30		Assessment, Gen. Chairmen's Assoc. of Labour Unions (C.P. System)	15.00
30		Air Travel:	

Date	Local		
30		Organizers	206.56
31	161	Defense	10,000.00
31		Column, Journ., May	45.00
31		Social Security	1,968.13
31		Canada Pension	45.00
31		Unemployment Ins.	27.40
31		Quebec Pension	10.74
31		Health Insurance	5.10
31	593	Defense	10,000.00
31		Edward T. Hanley, Gen. Pres., exp.	1,085.00
31		Ed. S. Miller, Gen. Pres., Emer.	1,085.00
31		Office exp.	.91
31		Postage	82.08
4		Clerks	2,401.00
11		Clerks	2,846.87
15		Edward T. Hanley, General President, salary	2,083.33
15		Robert L. Diefenbach, General Secretary-Treasurer, salary	1,791.66
15		Charles A. Paulsen, Director of Organ., salary	1,145.91
15		Anthony Anselmo, Admin. Asst., salary	1,145.91
15		Phillip M. Valley, Research Director, salary	675.00
15		N. J. Petri, Admin. Asst., salary	675.00
15		Herman Leavitt, Admin. Asst., salary	1,041.82
15		Paul P. McCastland, Admin. Asst., salary	1,041.82
15		Edward H. Rovner, Admin. Asst., salary	1,041.82
15		Vernard H. Hanson, Intl. Auditor, salary	500.00
15		Hyman B. Klayman, Intl. Auditor, salary	500.00
15		John P. Lavin, Managing Editor, salary	875.00
15		Michael W. Belfoure, Intl. Org., salary	500.00
15		M. R. Callahan, Intl. Org., salary	500.00
15		Joseph Cicardini, Intl. Org., salary	500.00
15		Newton Ellenbarger, Intl. Org., salary	500.00
15		Seymour J. Flanagan, Intl. Org., salary	500.00
15		Allan J. Graskamp, Intl. Org., salary	500.00
15		Robert Hudson, Intl. Org., salary	500.00
15		M. A. Kenney, Intl. Org., salary	500.00
15		Harvey J. Morse, Intl. Org., salary	500.00
15		Augustus Joseph Murso, Intl. Org., salary	500.00
15		Marshall B. Race, Intl. Org., salary	500.00
15		Howard R. Richardson, Intl. Org., salary	500.00
15		Anthony Rutledge, Intl. Org., salary	500.00
15		Eugene A. Schoeller, Intl. Org., salary	500.00

Date	Local		
15		Dale Stormer, Intl. Org., salary	500.00
15		Leo W. Vuchinich, Intl. Org., salary	500.00
15		Walter Lofgren, Intl. Org., salary	500.00
15		Pat Battista, Intl. Org., salary	500.00
15		J. Lardino, Intl. Org., salary	500.00
15		Jack Townsend, Intl. Org., salary	500.00
15		James Graham, Intl. Org., salary	500.00
15		Frank B. Cortese, Intl. Org., salary	500.00
15		Paul E. Diles, State Org., salary	325.00
15		Gustava Holohan, State Org., salary	325.00
15		Anthony Amodeo, State Org., salary	325.00
15		John Gibson, State Org., salary	325.00
15		Herbert Schiffman, State Org., salary	325.00
15		T. A. Small, State Org., salary	325.00
15		Phil L. Valley, State Org., salary	325.00
15		Jackie Walsh, State Org., salary	325.00
15		Myra K. Wolfgang, State Org., salary	325.00
15		M. H. Martell, State Org., salary	325.00
15		James Stamos, State Org., salary	325.00
15		Joseph Clair, Intl. Auditor, salary	500.00
18		Clerks	4,461.70
25		Clerks	3,151.46
31		Edward T. Hanley, General President, salary	2,083.33
31		Robert L. Diefenbach, General Secretary-Treasurer, salary	1,791.67
31		Ed. S. Miller, Gen. Pres., Emeritus, salary	2,831.13
31		Charles A. Paulsen, Director of Organ., salary	1,145.83
31		Anthony Anselmo, Admin. Asst., salary	1,145.83
31		Phillip M. Valley, Research Director, salary	675.00
31		N. J. Petri, Admin. Asst., salary	675.00
31		Herman Leavitt, Admin. Asst., salary	1,041.66
31		Paul P. McCastland, Admin. Asst., salary	1,041.66
31		Edward H. Rovner, Admin. Asst., salary	1,041.66
31		M. A. Kenney, Admin. Asst., salary	1,583.43
31		Vernard H. Hanson, Intl. Auditor, salary	500.00
31		Hyman B. Klayman, Intl. Auditor, salary	500.00
31		Joseph A. Clair, Intl. Auditor, salary	500.00

Mr. GAVALIS. Yes, Senator. I believe that is the document that I have seen too.

Senator RUDMAN. So evidently some people took a trip to Geneva, tried to buy the hotel chain, failed and acquired about $100,000 in expenses. Certainly I will say one thing for these people. They sure do live well.

Mr. Hitt, could you explain why the State and local law enforcement authorities became so very concerned when Mr. Schiffman became the trustee down there?

Mr. HITT. Yes, sir. At that time the hotel industry was one of the fastest growing industries in the Atlanta area. After Mr. Schiffman became the trustee they were bringing in organizers from out of State who, based on information from other law enforcement agencies, had organized crime connections or were influenced by organized crime. In the initial organizing activities of the union, there were threats to employees and assaults on employees in their attempts to organize them. There was also statements made by various organizers that they were obtaining political clout in the Atlanta area locally.

Senator RUDMAN. Did you ever have any evidence that they had not or had, or had not, managed to gain any political influence in Atlanta, Ga.?

Mr. HITT. Yes. A review of the international's financial statements indicates there was a total of I believe about $10,000 donated to the mayor of Atlanta toward his campaign.

Senator RUDMAN. But the investigations of the Atlanta Police Department, of the county law enforcement people, the Georgia State police unit, all continued at the normal pace?

Mr. HITT. Yes.

Senator RUDMAN. So any attempt for political influence, to in any way impede those investigations, failed?

Mr. HITT. Yes, sir.

Senator RUDMAN. I would expect that the degree of cooperation between all of the various local county, State, and Federal people was excellent in this case?

Mr. HITT. Yes, sir. It was. I think that attributes to our success.

Senator RUDMAN. I was going to say that. Your success probably derived from that cooperation. It was very successful. You eventually left the Atlanta Police Department and went to work for the Department of Labor.

Mr. GAVALIS. I would like to make a point that I think is interesting. That payment came from the international union. It was not from the local 151 which was significant to us at the time.

Senator RUDMAN. Gentlemen, the new head of the Teamsters' Union is Mr. Jackie Presser. Are you aware of information that at one point in his career he was appointed by an international organizer, by Mr. Hanley, president of the international union?

Mr. GAVALIS. Senator, during that period in 1974–75 of investigating HREU we had the occasion to review the listing of organizers on the payroll of the international union. Mr. Presser's name was noted as being an international organizer.

Senator RUDMAN. Did he receive a salary for that?

Mr. GAVALIS. According to the documents that I reviewed, yes, he did.

Senator RUDMAN. Do you recall what that salary was approximately?

Mr. GAVALIS. No, sir. To the best of my knowledge, I don't remember. We were not investigating Mr. Presser. We were investigating the area in Atlanta. I do know that an article in the U.S. News & World Report written by Mr Farley, a very detailed article on the HREU, went into detail on Mr. Presser's salary. But I don't have that.

Senator RUDMAN. At the time that Mr. Presser was appointed international organizer by Mr. Hanley, he also served in other positions in the Teamsters' Union. Is that correct?

Mr. GAVALIS. It is my understanding from the article, I did not verify this, the article, I believe that is the article, the second page there goes into detail on it. I think he had something, the quota is there, he was working in other positions and was receiving salary as a full-time organizer.

Senator RUDMAN. Is it fair to state from your review of the trusteeship that occurred in Atlanta and your other investigations of this union that a number of people received substantial salaries from the union and do little for those salaries?

Mr. GAVALIS. Yes, sir.

Senator NUNN. In your investigation, did you ever try to determine which of these people, who were being paid as organizers, actually appeared and did work in Atlanta and which ones did not? Was that within the scope of your investigation?

Mr. GAVALIS. Yes, Senator. It was. The whole situation in Atlanta was very interesting. If I may go to the chart, the chart has a list——

Senator RUDMAN. You may. Why don't you carry the microphone over with you if that will reach.

Mr. GAVALIS. This is a chart prepared by the subcommittee. It shows in 1973 to 1975, the leadership of local 151 was headed by Pinky Schiffman, who was the trustee. It clearly shows that Mr. Timperio, was the actual day-to-day head, that was testified to.

The list of organizers were all out-of-towners, brought in to the Atlanta area to organize. During my investigation of the trusteeship, I had an occasion to interview many of these people and most of these people had no experience or very little experience in the union organizing.

The record speaks for itself in their organizing attempts.

Senator NUNN. Do you have any breakdown of which of those people who actually appeared or do you know, who didn't really do any organizing in Atlanta and yet were paid?

Mr. GAVALIS. Mr. Skolnik was certainly one that we questioned. In Atlanta, it was a funny situation. I believe a lot of them were in Atlanta.

The question was, did they work, I think was the issue. From members who brought this to our attention, was that apparently they were doing very little work. I believe Brian can discuss more about the situation, what we saw the organizers doing in Atlanta.

Senator NUNN. Did you look into whether Jackie Presser was in Atlanta while he was on the payroll and whether he did any work?

Mr. GAVALIS. No. His name was just noted in a list of other organizers that were put on the payroll by Mr. Hanley after he came on.

So we had no indication he was there, we had no investigation into Mr. Presser.

Senator NUNN. You cannot say one way or the other whether he was there or was not there?

Mr. GAVALIS. Yes. There was no indication he ever was there, Senator.

Senator RUDMAN. On that point, the records show that Mr. Presser has received seven different salaries for seven different union jobs, including a substantial payment from the union that we are talking about this morning.

Mr. Hanley stated publicly that Mr. Presser earns the salary. From your own information, I expect you are both in the position to answer this; aren't these two unions, the Hotel Union and Teamsters Union, in competition for the same people in terms of organizing?

Mr. GAVALIS. One union in the AFL–CIO, the Hotel Restaurant Union and the Teamsters Union is an independent union. I don't know what agreements they have.

In some places, I think they probably could cross over.

Senator RUDMAN. But certainly people who were nonunion were targets of union organization in many cases and the Teamsters organized this kind of activity; is that not correct?

Mr. GAVALIS. It is very possible. I have not seen that in the Atlanta area.

Senator RUDMAN. Mr. Hitt, are you aware of any of those things?

Mr. HITT. Not in the Atlanta area.

Senator RUDMAN. Are you aware of an EEOC complaint filed against Mr. Schiffman?

Mr. GAVALIS. Yes, I am.

Senator RUDMAN. Can you tell us what the result of it was?

Mr. GAVALIS. It is my understanding that an ex-employee of 151 filed a discrimination suit against Mr. Schiffman for discriminating against Spanish-speaking Americans and that he was awarded compensation for that.

Senator RUDMAN. We will place into the record the EEOC final order at this time.

[The document referred to was marked "Exhibit No. 12," for reference, and may be found in the files of the subcommittee.]

Senator NUNN. If I might interject here, Mr. Chairman, I think you just hit on a point that is very important. I don't know whether we can pursue it in this hearing, whether we will have witnesses that are acquainted with it, but the real question is you have a high-ranking officer of one union on the payroll of another for organizing purposes.

You have to ask, indeed, was that the true nature of the payment? So let me pose a couple of questions to you.

Did you see any effort by the Teamster's Union during this timeframe when Mr. Presser was on the payroll of the Restaurant Workers, Hotel Restaurant Workers Union?

Did you see any activity of the Teamsters Union during that period of time in Atlanta to try to organize for their union these same employees?

Mr. GAVALIS. No, Senator. What we see in Atlanta—again we were not investigating Mr. Presser. We were looking at HREU. We were looking at the hospitality industry. It is not common in Georgia; for the Teamsters to organize in the hospitality industry.

Senator NUNN. That is not done there?

Mr. GAVALIS. Not in Georgia.

Senator NUNN. Mr. Chairman, in another hearing, I think it would be very interesting to talk to some of the people in the Labor Department and others as to whether indeed these unions are competitive and take a look at the track record where officials in one union were being paid to organize for another union and whether that had any effect on stifling competition.

Senator RUDMAN. I think it is a very valid point and one that I think we are interested in and we ought to pursue. I am particularly interested in aggregate salaries of this particular high-ranking official we are talking about. I understand that salaries of $600,000 a year are paid by a number of unions from the dues of hard-working members of those unions.

The question is whether or not any real value is received in response to those payments. I have some doubts.

Senator NUNN. That is absolutely the legitimate line of inquiry and the other inquiry is if indeed the unions are competitive, if indeed, Teamsters in some cases comes in and tries to organize in the same field, our testimony is contrary to that in Atlanta, but if that is the case and there is a payment made to high-ranking official and the teamster does come in and compete with that organization, you have to ask what is the quid pro quo, what is the payment for? So one of the things I think that would be interesting for staff to pursue at the Labor Department is whether we do have competition for organization between Teamsters and Hotel-Restaurant Workers Union in any other area, if that kind of competition has taken place and if during that time frame you had any high-ranking members of the Teamsters Union on the payroll of their competitive union.

You either have a conflict of interest or it seems to me you have a possibility of conflict of interest if competition is occurring, if competition is not occurring, you have a possibility of payment being made for not organizing affirmatively for one union but rather restraining the other union from competing.

I raise that only as a question of inquiry. I make no such allegation because I don't have the evidence.

Mr. GAVALIS. When I mentioned hospitality industry, I was talking hotels and restaurants. In Atlanta, you had that situation previously and you still do in the catering industry at the Atlanta Airport.

I believe the Dobbs House Restaurant, which was won by the HREU early in the 1970's or late 1960's in a fight for an election won the right to contract.

There were pickets at the Atlanta Airport in order to get the contract signed. Somewhere along the way, the Teamsters Local, I believe 528 in Atlanta did organize those people, even after there was an election.

You do have in selected areas competition and there is that in Atlanta right now.

Mr. WEILAND. Senator, I would like to interject at this point in the record, if I may, that the staff does have evidence in some areas of the country of more or less direct competition.

For example, in the airport catering area, in the front desk area of hotels, in the loading dock category for hotels, we do have evidence of direct competition between the Teamsters and the Hotel Workers.

Senator NUNN. It would be a really interesting question as to whether you have a high-ranking union official on the other payroll during that period of competition. It would be interesting to see whether there was an effort made to compete or not.

Senator RUDMAN. Yesterday, I believe, gentlemen, you were here in the hearing room when Mr. Hauser testified. Senator Nunn advised me when he arrived here this morning that Mr. Hauser was here once before and took the fifth at great length and the testimony yesterday pretty much tracked what the committee staff had ascertained prior to his taking the fifth.

You heard that testimony yesterday. A real horror story, if you will, of what happens to the hard-earned dollars of members of these unions who supposedly are trying to buy health and welfare benefits and are essentially getting large amounts of payoffs in return for their hard work.

The payoffs are going to someone else, of course. To what extent is your office investigating this kind of activity?

What can you do? How do the laws have to be improved?

Mr. GAVALIS. Senator, Mr. Hitt and I are both with the Office of Organized Crime Racketeering of the IG's Office. We are assigned to work through the Department of Justice organized crime strike force.

Our cases are worked at the discretion and in consultation with those attorneys. We do not have an audit function per se, auditing plans or auditing labor unions. We work in criminal investigations in close cooperation with the Department of Justice.

The audit function of health and welfare employee benefit plans is done by the Labor Management Services Administration and they also investigate, have the responsibility for investigating labor organizations.

Senator RUDMAN. Without assessing blame, I am not trying to assess blame or accountability. We obviously didn't want to put you in that position, but just as a general observation, after hearing Hauser's testimony yesterday, would you think that possibly the Congress and the Labor Department ought to look at new and better ways of seeing how this money is spent?

Mr. GAVALIS. I would say anyway to help us in the fight against organized crime infiltration would certainly aid everybody and benefit the country. Yes.

Senator RUDMAN. I assume there is very little doubt in both of your minds, based on your background, that there is a heavy degree of involvement with organized crime figures in these pension and health and welfare funds in a number of these unions?

Mr. GAVALIS. Yes, sir. Very much so.

Senator RUDMAN. Senator Nunn?

Senator NUNN. Just a few questions, Mr. Chairman.

Mr. Gavalis, we understand you were recently involved in a successful criminal suit against a local trusteeship.

Could you tell us what problems you were confronted with, prosecutors and investigators in that kind of case?

Mr. GAVALIS. Yes. That case involved, as I mentioned in my statement, was against the Title & Marble Terrazzo Workers International Union.

We attempted in Atlanta and successfully indicted and prosecuted, I believe, for the first time in the history of the Labor Management Reporting Disclosure Act, a criminal prosecution of title III of that act concerning trusteeship.

This proved to be a heavy burden with over 20 years of the law on the books. There had been no previous prosecution. We attempted to use a provision of the law making it illegal to transfer funds of a local union to an international union other than for normal per capita tax.

This proved to be very, very hard to prove this in a court of law. The question was, who benefited? Who stole the money? The statute, the way it was presented, is you just need a transfer.

The way the law was written, it prohibited in essence the raping or looting of local union funds under trusteeship that benefited the international.

We tried to bring that charge, unfortunately, it was very difficult and the jury acquitted on that point. The definition of trusteeship proved to be very hard to explain and prove to a jury.

I think that under circumstances it was a very successful prosecution. The members in Atlanta of 167 were very concerned about the money.

In this case, I believe somewhere around $95,000, that we alleged and the grand jury indicted on, was improperly transferred. That was acquitted, the international was acquitted of that. But the concern of the membership is still there. What happened to that money?

Senator NUNN. Do you feel in your personal view that you have enough investigative resources in the southern region to deal with nontraditional type of organized crime in the South?

Mr. GALAVIS. Our resources are in the Atlanta area, the strike force, which is kind of a catalyst for all the work of organized crime investigations in Georgia.

There is presently one Labor Department agent and one attorney at the strike force, hopefully awaiting the selection of another attorney. But at the Atlanta office, we handle four States, along with the Department of Justice, and our responsibility goes along with the Department of Justice's geographic responsibility.

We handle North Carolina, South Carolina, Georgia, and Tennessee. Right now, the staff is one labor agent and, hopefully, two attorneys, and plus other representatives.

Senator NUNN. How about the FBI and other parts of the strike force? Do they help and cooperate here?

Mr. GAVALIS. Yes. In the Atlanta office, the Department of Justice organized crime strike force is truly an office of cooperation between the Federal, State, and local officials. I believe our success rate speaks for itself.

The Georgia Governor's Commission Against Organized Crime, has set up a Georgia State intelligence network of local and State officials with the Federal people being represented on this. This is where we exchange information. The catalyst is a strike force. I think it is a model for the country.

Senator NUNN. As I understand it, in your Labor Department officials working with the strike force do not possess some of the same law enforcement powers that other members of the strike force have; is that correct?

Mr. GAVALIS. That is correct, Senator.

Senator NUNN. Would you tell us what powers you don't have as a member of the strike force that your other counterparts would have?

Mr. GAVALIS. Certainly, No. 1, we are not permitted at this time to handle searches, we have to obtain outside help and assistance to handle any type of searches. We do not have firearm authority, and we do not have arrest authority.

Senator NUNN. Is this a disadvantage not to have these powers? Or do you see it as something that doesn't matter?

Mr. GAVALIS. It certainly affects on our professional standing.

Senator NUNN. So you think having those powers as a member of the strike force would be of benefit to you and increase your effectiveness?

Mr. GAVALIS. Very much so, Senator.

Senator NUNN. Have you ever discussed this issue with fellow members of the strike force; FBI, DEA, or any of the other justice officials?

Mr. GAVALIS. Yes. Senator, we are a very close knit group. We discuss it on many occasions.

Senator NUNN. Have you ever found any of them that said they were opposed to you having these powers as a member of the strike force?

Mr. GAVALIS. None.

Senator NUNN. You never had any of them say that that would be detrimental?

Mr. GAVALIS. No. In fact, just the opposite, they wonder why we don't.

Senator NUNN. So if you have got to execute a search warrant, or if you have to make an arrest, or if you need to carry a pistol, any other kind of firearm, you have to get someone else to go along with you? You can't do it yourself?

Mr. GAVALIS. That is correct.

Senator NUNN. Mr. Chairman, I want to thank both of our witnesses for appearing. I have no further questions this morning. We appreciate your good work.

Senator RUDMAN. Gentlemen, the subcommittee does thank you. You have been excellent witnesses. We appreciate the work you are doing.

At this point, I would like counsel to read into the record a short statement regarding our attempts to receive the cooperation of one of the witnesses that has not appeared.

Mr. WEILAND. Mr. Chairman, yesterday we had extensive testimony relating to the No. 2 man in the international union, Herman "Blackie" Leavitt.

It should be pointed out for the record that early in our investigation we attempted to contact and interview Mr. Leavitt.

Extensive correspondence ensued with his attorney, one Neil Papiano, of Los Angeles.

I would like to incorporate into the record copies of all of this correspondence and simply point out that in it Mr. Papiano asserts that Mr. Leavitt knows of no improper conduct in connection with any employee benefit plans, has no knowledge of or involvement in any illegal payments to union officials.

He asserts that Mr. Leavitt's own personal source of income other than union related salaries is derived from personal investments. We have attempted to ascertain Mr. Leavitt's willingness to appear as a witness or to submit to a deposition.

His lawyer has continually asserted that he must be provided with an extraordinary amount of information prior to agreeing to willingly appear. We have resisted wholesale disclosures of our information to Mr. Leavitt but have provided his attorney with a substantial amount of information, certainly, the subject areas of our interest. In view of the testimony yesterday, it would be the staff's recommendation that we provide with him a subpena and bring Mr. Leavitt before the subcommittee at some future time.

[The correspondence referred to was marked "Exhibit No. 13," for reference, and follows:]

EXHIBIT NO. 13

WILLIAM V. ROTH, JR., DEL., CHAIRMAN
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R. CARY WYLAND
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MARTY STEINBERG
CHIEF COUNSEL TO THE MINORITY

United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS
SENATE PERMANENT SUBCOMMITTEE
ON INVESTIGATIONS
WASHINGTON, D.C. 20510

January 19, 1982

Mr. Herman Leavitt
120 East 4th Street
Cincinnati, Ohio 45202

Dear Mr. Leavitt:

The Senate Permanent Subcommittee on Investigations is currently conducting a review of activities and transactions involving the Hotel Employees and Restaurant Employees International Union (HEREIU) and some of its affiliated locals. To address some of the issues confronting the Subcommittee, it may be necessary to obtain sworn testimony from individuals such as yourself who, because of their official position or relationship with union officals, are believed to be in a position to respond to detailed examination by the Subcommittee. Specifically, we are interested in obtaining information from you concerning the following areas or issues:

1) Your relationship with Santos Trafficante, Joseph Aiuppa and other individuals publicly identified as associated with organized crime;

2) The means and methods by which organizing and collective bargaining has been undertaken with respect to the Los Angeles locals of the HEREIU;

3) The existence of improper or illegal conduct in connection with employee benefit plans;

4) Your knowledge of, or involvement in, any illegal payments to union officials or individuals acting on behalf of union officials;

5) Your personal sources of income other than union related salaries.

This letter, as opposed to the issuance of a subpoena, serves as a mechanism, more convenient to both yourself and the Subcommittee, to determine your availability as a witness and willingness to testify, without resort to service of compulsory process at this time. A response to this letter should indicate one of the following:

1) You will testify voluntarily; or

2) You will voluntarily testify, but require that a subpoena be issued; or

3) You will not provide testimony, with or without a subpoena, based upon _____
_____
_____
(state reason and/or privilege).

It is requested that you or your counsel provide a response in writing by February 5, 1982. In the absence of any response to this letter, the Subcommittee would then be compelled to consider whether to issue a subpoena in order to determine your willingness to testify.

Should you or your counsel have any questions concerning this matter, please contact me at 202-224-3721.

Sincerely,

Michael C. Eberhardt

Michael C. Eberhardt
Deputy Chief Counsel

MCE:mh

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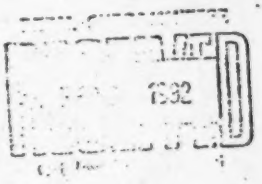
FRANK B. YOAKUM, JR.
OF COUNSEL

February 2, 1982



MR. MICHAEL C. EBERHARDT
Deputy Chief Counsel
United States Senate
Committee on Governmental Affairs
Senate Permanent Subcommittee
on Investigations
Washington, D.C. 20510

Dear Mr. Eberhardt:

I represent Mr. Herman Leavitt and your letter of January 19, 1982 addressed to him has been referred to me for discussion and response.

After a thorough review of your letter, I am not certain of its intent. For instance, you request my client's response regarding testimony without stating the nature or the purpose of any such testimony. I assume these matters will be clarified at some period in the future.

However, in the spirit of cooperation and in the interests of specific responses to the questions you pose in your letter you should be advised as follows:

1. Mr. Leavitt does not know and to his knowledge has never met Santos Trafficante or Joseph Aiuppa. He obviously therefore has no relationship whatever with either of them.

2. Mr. Leavitt has not been involved in organization or collective bargaining with respect to the Los Angeles locals for approximately ten (10) years. There are, of course, many means of organizing and collective bargaining with respect to the Los Angeles locals of the HEREIU. Organizing is principally conducted by means of a majority of employees signing recognition cards indicating a desire for union representation in their employment. Recognition of the union as bargaining agent then takes place either voluntary on behalf of the

employer or a request is made to the National Labor Relations Board for an appropriate election. Mr. Leavitt assumes that this is the course presently maintained in the Los Angeles locals.

3. Mr. Leavitt knows of no improper or illegal conduct in connection with any employee benefit plans. He is one of twenty-two trustees of an international employee benefit plan and serves in that capacity with ten other union members and eleven representatives of various employers. He knows of no improper or illegal conduct in connection with this plan and feels certain that none exists.

4. Mr. Leavitt has no knowledge of or involvement in, any illegal payments to any union officials or individuals acting on behalf of any union officials.

5. Mr. Leavitt's only personal source of income other than union related salaries is derived from personal investments, all of which have been fully reflected on his federal and state income tax returns. These returns have been periodically audited by the relevant taxing agencies without any recommendation for major change or adjustment.

I should be pleased to discuss this matter with you at any convenient time if you feel such a discussion would be useful.

Yours very truly,

Neil Papiano

of IVERSON, YOAKUM, PAPIANO & HATCH

NP/ss

HERE

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CHIEF COUNSEL TO THE MINORITY

February 12, 1982

Mr. Neil Papiano
Iverson, Yoakum, Papiano & Hatch
611 West Sixth Street
Suite 1900
Los Angeles, CA 90017

Dear Mr. Papiano:

Thank you for your letter of February 2, 1982 concerning Mr. Herman Leavitt.

While I appreciate your attempt to supply general responses on behalf of Mr. Leavitt, there remains a need to examine Mr. Leavitt as to certain allegations that have come to our attention. While I am not prepared to detail these allegations prior to any examination of Mr. Leavitt, I will indicate to you that these allegations do involve claims that Mr. Leavitt does have knowledge of illegal conduct and illegal payments involving union officials, and that some of this knowledge is derived from his own involvement.

In addition, while I am aware that Mr. Leavitt has not been directly involved with the Los Angeles locals of the Hotel Employees and Restaurant Employees International Union (HEREIU) for several years, some of the allegations involving illegal conduct relate to his activities during this period.

Furthermore, our interest in ascertaining Mr. Leavitt's relationship with certain individuals is not restricted to Santos Trafficante and Joseph Aiuppa. Indeed, as my letter of January 19, 1982 indicates, we are interested in "other individuals publicly identified as associated with organized crime." Again, it is our position that only a detailed examination of Mr. Leavitt will address any claims of such relationships involving Mr. Leavitt.

Finally, given some of the allegations with which we are confronted that involve illegal payments of money, I again believe it is necessary to conduct some detailed examination of Mr. Leavitt as to all of his sources of income and the source of his investment funds.

I trust that this letter has served to indicate the general nature of our informational needs as they relate to Mr. Leavitt. In any event, I would appreciate it if you would indicate whether Mr. Leavitt is willing to submit voluntarily to a deposition in which detailed questions will be posed to him by counsel from the Subcommittee staff. This examination would be conducted by myself and/or S.

Cass Weiland, Chief Counsel to the Subcommittee. Whether a subsequent appearance before the members of the Subcommittee would be ultimately requested or required is a matter which largely depends on the results of the deposition and other investigation information. If, on the other hand, Mr. Leavitt does not wish to submit to a deposition, please indicate whether he would provide responses upon the issuance of a Subcommittee subpoena and, if not, what legal basis would be asserted for any such refusal.

Sincerely,

Michael C. Eberhardt

Michael C. Eberhardt
Deputy Chief Counsel

MCE:mh

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(1907-1979)

FRANK B. YOAKUM, JR.
OF COUNSEL

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March 1, 1982

MICHAEL C. EBERHARDT, ESQ.

Deputy Chief Counsel
United States Senate Committee
on Governmental Affairs
Washington, D.C.

Dear Mr. Eberhardt:

I acknowledge your letter of February 12, 1982 regarding Mr. Herman Leavitt. It is difficult to fully appreciate your real objective in seeking Mr. Leavitt out for interrogation in view of the complete and unequivocal responses to your questions contained in my letter of February 2, 1982. Your unwillingness to disclose your objective, except in a very ambiguous manner, increases my concern.

Your letter strongly suggests you are accusing Mr. Leavitt of some improper conduct. If this is correct, you should clearly make a full disclosure of your intentions and specific areas of inquiry so that I may more accurately appraise your requests. The seriousness of your allegations and their nebulous and unsubstantiated nature also causes me great concern. The method you are pursuing seems to be very peculiar to say the least.

Despite your recognition in the third paragraph of your letter that Mr. Leavitt has not been identified or involved with the activities of HEREIU for several years, you denigrate this recognition by use of the word "directly" and in effect allege he is being charged with "illegal conduct" by some unknown persons whom you are obviously reluctant to identify. This is another strange procedure indeed. As I stated in my previous letter, Mr. Leavitt has no knowledge of any such activities. If you are seeking his cooperation in giving a deposition relating to some specific subject or specific conduct, it is obvious that, at a minimum, you should

disclose the area of your intended inquiry and the names of any persons who are making any accusations against him. In this respect, I think it is only proper and ethical that the serious charges in the second and third paragraphs of your letter either be specifically documented or publicly retracted without delay.

In addition, I suggest that if you wish me to seriously consider your request for a deposition, you should specifically name the persons you describe as "other individuals publicly identified as associated with organized crime." In paragraph four of your letter you in effect assert, despite the disclaimer in my letter of February 2, that Mr. Leavitt is or has been publicly identified with such persons (whoever they may be). Obviously, no response is possible until you apprise me of the names of the persons you believe to be associated with organized crime, the nature of any alleged relationship of Mr. Leavitt and the names of any persons making such allegations. Fairness and proper legal procedure demands nothing less.

Finally, despite my advice concerning Mr. Leavitt's income tax returns, you seem to be asserting in the fifth paragraph of your letter that he has been involved in the receipt of illegal payments of money. I reiterate that this matter has been fully investigated by the Internal Revenue Service and no substantial changes in Mr. Leavitt's tax returns were requested. Of course, no allegation of misconduct or illegal payment was made..

If, in fact, you are accusing or suspect Mr. Leavitt of any criminal activity, I believe your information should be turned over to the proper authorities for whatever handling may be deemed appropriate. A Senate Subcommittee is not, in my opinion, such an authority and certainly the Counsel for such a subcommittee should not publish very serious allegations without foundation. I am sure you have no such intention, therefore, I once again suggest that you inform me or any appropriate legal authority of the specific nature of the allegations you have made in general terms and the names of any other persons who have made similar allegations to you.

Given the unsubstantiated and nebulous nature of your allegations, it would be difficult for me to recommend that Mr. Leavitt submit to a deposition. However, Mr. Leavitt has

IVERSON, YOAKUM, PAPIANO & HATCH

MICHAEL C. EBERHARDT, ESQ.

Page 3
March 1, 1982

no reason to resist any proper deposition and is anxious to be cooperative. Therefore, if you will provide me with the details of your proposed inquiry, the specific allegations made against Mr. Leavitt and the names of any persons making such allegations, I shall be glad to discuss the matter further with you.

Please do not interpret this letter as any indication that my client is unwilling to cooperate with you. He is willing to assist in any bonafide inquiry. I cannot, however, permit him to be subjected to an extralegal procedure without knowing the precise nature of any allegation against him and the name of any accuser. As competent counsel, I am certain you recognize that I cannot determine whether Mr. Leavitt "would provide responses upon the issuance of a Subcommittee subpoena" without first knowing the nature of your inquiry. I certainly presume that Mr. Leavitt will respond to any proper question posed to him, but fairness dictates that he not be subjected to hearsay questions or questions without substance or specifics.

I will be pleased to discuss this matter with you at greater length whenever you find it convenient.

Yours very truly

of IVERSON, YOAKUM, PAPIANO & HATCH

NP:skv

cc: Mr. Herman Leavitt

WILLIAM V. ROTH, JR., DEL., Chairman
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United States Senate

COMMITTEE ON
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WASHINGTON, D.C. 20510

June 8, 1982

Neil Papiano, Esq.
Iverson, Yoakum, Papiano & Hatch
611 West 6th Street
Suite 1900
Los Angeles, California 90017-3197

Dear Mr. Papiano:

In response to your last correspondence relating to Mr. Herman Leavitt, I believe that the Subcommittee, through my earlier letters of January 19, 1982 and February 12, 1982, has provided you and Mr. Leavitt with sufficient information to identify the scope and direction of our inquiry. This assessment has been reached with the concurrence of the Subcommittee Chief Counsel, S. Cass Weiland. Indeed, my letter of February 12th provides more elaboration than has been provided to any other prospective Subcommittee witness in a position similar to that of Mr. Leavitt. This elaboration, in my opinion, is sufficient to put Mr. Leavitt on notice of the types of allegations that we seek to resolve and the scope of our inquiry.

Furthermore, I can assure you that the appropriate law enforcement authorities are aware of all significant information generally referenced in my letter of February 12, 1982. The potential relevance of such information to law enforcement authorities, however, does not detract from the legislative needs of the Subcommittee or the mandate under which it operates. Specifically, I refer to Sections 13(c)(1)(B) and (C) in Senate Resolution 333, a copy of which is included in the enclosed Subcommittee Rules of Procedure.

Unless I hear from you to the contrary, I will expect no voluntary cooperation from Mr. Leavitt and will recommend the issuance of a subpoena to compel Mr. Leavitt's appearance at hearings scheduled later this year.

Sincerely,

Michael C. Eberhardt

Michael C. Eberhardt
Deputy Chief Counsel

MCE:sp

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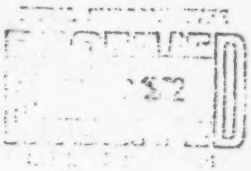
(1907-1978)

FRANK B. YOAKUM, JR.
OF COUNSEL

June 25, 1982



MICHAEL C. EBERHARDT, ESQ.
Deputy Chief Counsel
United States Senate Committee on
Governmental Affairs
Senate Permanent Subcommittee on
Investigations
Washington, D.C. 20510

Dear Mr. Eberhardt:

I have your letter of June 8, 1982. It is obvious that you do not intend to directly reply to my previous correspondence. Your letter makes argumentative and unilateral assumptions, conclusions and selfserving declarations which may properly benefit a lawyer in an advocacy situation, but do not appear to be those of an unbiased representative of the Senate of the United States.

In order that the record properly reflects the situation, please understand that Mr. Leavitt is not refusing to cooperate with you or with the Senate Subcommittee. Unfortunately, however, neither he nor I knows the nature of the "cooperation" you are requesting, and your letter continues to be intentionally vague on that subject. Although you and your associates may have unilaterally concluded that Mr. Leavitt has been provided with "sufficient information", any such conclusion is totally erroneous and does not comport with the facts.

In one last attempt to understand your position and request, I should like to pose specific questions and request that you give specific answers. I Hope you will not respond in vague generalities or by saying that you and your associates have drawn various conclusions among yourselves without apprising me of the facts on which you rely. My questions are as follows:

1. What is the specific nature of the "cooperation" which you are asking of Mr. Leavitt?

2. Are you accusing Mr. Leavitt of any impropriety or violation of law?

3. If the answer to question No. 2 is yes, of what specific impropriety or violation of law are you accusing Mr. Leavitt and by what authority do you make that accusation?

4. Is your only accusation that Mr. Leavitt "may have associated with persons who are believed to be members of organized crime"?

5. Who are the "appropriate law enforcement authorities" who are "aware of all significant information generally referenced" in your letter of February 12, 1982?

   a. What is the nature of any such information?

   b. Does it contain any contention that Mr. Leavitt violated any statute or committed any crime?

   c. Did you make any allegation to any law enforcement agency or provide any such "information"? If so, what is the specific nature of any such allegation or information?

I shall be pleased to discuss this matter with you in greater detail, when you have provided responses to these questions. Obviously, Mr. Leavitt is entitled to responses both under proper notice and due process provisions of the law. In addition, ethical considerations require that you not seek to compel Mr. Leavitt to take some as yet undetermined action as a result of threats made by you or by reason of unilateral conclusions of your associates.

Lest there be any doubt, please understand that Mr. Leavitt knows of no instance in which he has violated any statute, committed any crime or should be suspected of any such conduct. He is <u>not</u> refusing to cooperate with you in any legitimate manner. However, I, as his counsel, have advised

IVERSON, YOAKUM, PAPIANO & HATCH

MICHAEL C. EBERHARDT, ESQ.

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him that he not only has the right to know the nature of your inquiries, but also that your indiscriminate use of such terms and threats as "appropriate law enforcement agencies", "associated with organized crime", "issuance of subpoena to compel appearance" make it mandatory that both he and I determine the nature of your actions and conduct.

I am looking forward to your response.

Yours very truly,

of IVERSON, YOAKUM, PAPIANO & HATCH

NP:skv

Senator RUDMAN. I believe that is something that the chairman will probably be calling on the members of the subcommittee to discuss.

Senator Nunn, do you have any other statement?

Senator NUNN. No, just to commend the majority, Senator Rudman, you and Senator Roth and the staff for having an excellent set of hearings here.

It reflects a lot of good, hard work.

Senator RUDMAN. Thank you, very much.

That concludes our hearing for today. We will have a further hearing in the month of June and the Permanent Subcommittee on Investigations will stand in recess at the call of the chairman.

[Whereupon, at 11:35 a.m., the subcommittee recessed, to reconvene at the call of the Chair.]

APPENDIX

EXHIBIT NO. 5

DEPOSITION OF LINDA JOHNSON

BEFORE THE STAFF OF THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS, COMMITTEE ON GOVERNMENTAL AFFAIRS

In Re: Hotel Employees and Restaurant Employees International Union, Tuesday, March 29, 1983, Los Angeles, California.

Deposition of Linda Johnson, a witness in the above-entitled matter, called for examination by counsel for the Permanent Subcommittee on Investigations, pursuant to Notice, in Room 3211, Federal Building, Los Angeles, California, when the parties were represented by the following counsel:

On behalf of the Permanent Subcommittee on Investigations: S. Cass Weiland, Esq., Chief Counsel, Permanent Subcommittee on Investigations.

Whereupon, Linda Johnson, a witness, was called for examination by counsel for the Permanent Subcommittee on Investigations, and, after having been duly sworn by the Notary Public, was examined and testified as follows:

Examination by Chief Counsel, Permanent Subcommittee on Investigations.

By Mr. WEILAND:

Q. Would you state your full name and the city that you live in?

A. Linda Lee Johnson, Hermosa Beach.

Q. Ms. Johnson, as you know, we are here this morning to take your deposition in conjunction with the Subcommittee's inquiry relating to the Hotel and Restaurant Workers International Union. You have cooperated with the Subcommittee in the past and the purpose of our deposition today is to memorialize the things that you have told the staff investigators. Let me ask you first, is it true that you were employed by Joe Hauser for several years?

A. Yes.

Q. Can you tell us which companies and what period of time?

A. I think I went to work for him in 1968 to about 1976.

Q. And which companies did you work for?

Q. Do you want them in order?

A. If you can recall their order, if not just the names.

Q. Joe Hauser Insurance Agency, Labor Insurance of America, Union Service Benefits, American Medicare Foundation, Farmers National Life Insurance Company and National Prepaid Health Plan.

Q. Now, from approximately 1968 to '73 you worked for Hauser in Los Angeles, is that right?

A. Yes.

Q. And how would you describe your job functions?

A. Well, it varied from time to time. Part of the time I was a secretary. Then I worked for the claims department. Then I worked in the membership service department and was still working for him part of the time, cashing checks, going to the bank, that sort of thing.

Q. What was the average number of employees who were associated with Hauser and his companies during the Los Angeles period, to the best of your recollection?

A. Perhaps a 150.

Q. Did there come a time when you moved to Florida?

A. Yes.

Q. Would you explain the circumstances surrounding your move to Florida?

A. National Prepaid Health Plan was being closed down and Joe had bought a company in Florida, Farmers National Life.

Q. And did he ask you to move there?

A. No, I asked to move there.

Q. How come?

A. How come, because there was nothing to do in Los Angeles.

Q. Business——

A. It was being closed down.

Q. Why was that?
A. It was going into bankruptcy.
Q. Did the California Insurance Board play a role in that?
A. Yes, they did.
Q. And is it true that the FBI was investigating Mr. Hauser's activities by that time?
A. Yes.
Q. Where did you move in Florida?
A. First to Saint Petersburg and then to Miami.
Q. Did Mr. Hauser continue to do some business in Los Angeles which required him to travel back and forth?
A. Yes.
Q. How long did you work in Florida?
A. I think two years.
Q. Okay. And did there come a time in 1976 that you were subpoenaed to testify before a Federal Grand Jury?
A. In Florida?
Q. In Los Angeles.
A. Oh, yes.
Q. Okay. Did Joe tell you to go back to California?
A. He told me—Yes.
Q. What did you do back in Los Angeles then when you returned?
A. I went to work for Transcoast.
Q. What was that?
A. Insurance agency.
Q. Was that one of Hauser's companies?
A. Yes.
Q. And was Mel Wyman associated with that?
A. Yes.
Q. What was he doing?
A. I think he was President of Transcoast.
Q. Were they a going company or what kind of business volume were they doing?
A. None.
Q. Do you mean literally or figuratively?
A. There was no business.
Q. How many employees did that company have?
A. Two.
Q. You and Mr. Wyman?
A. Right.
Q. Did the Federal authorities continue to have an interest in you?
A. Yes.
Q. And did there come a time in approximately 1977 when you were given immunity and you turned over some financial records to the FBI?
A. Yes.
Q. Did that essentially terminate your employment with Mr. Hauser?
A. Yes.
Q. Was he aware that you did that?
A. He became aware.
Q. How much later?
A. I think very shortly thereafter.
Q. Were you ever charged with anything in conjunction with the Federal investigation of Hauser and his companies?
A. No.
Q. And you ended up testifying before several Grand Juries and at least one trial; is that right?
A. Yes.
Q. Would you tell us where you testified?
A. In Grand Juries?
Q. Yes.
A. Los Angeles, Boston, Phoenix, Florida.
Q. Where in Florida?
A. Miami.
Q. And also in trial in Miami, is that correct?
A. Yes.

Q. Why did you decide to be cooperative with the Government?
A. They decided it for me.
Q. What do you mean by that?
A. They gave me immunity, I didn't have a choice.
Q. Okay. I'd like to go back now to some of the nuts and bolts of working with Mr. Hauser. From the time you first signed on with Mr. Hauser's company was it not the case that you would meet union people from time to time?
A. Yes.
Q. And why was that, what was the nature of his business that caused you to meet union people?
A. We use to meet them to pick up lists of their membership to do mailing on them. I use to meet them when they came to the office.
Q. What kind of mailings were these?
A. To sell them individual insurance.
Q. Individual life insurance policies?
A. Yes.
Q. And these people would come into the office?
A. The union officials would.
Q. And would Hauser also meet them for lunches and dinners and that sort of thing?
A. Yes.
Q. Who do you recall Hauser doing business with during this period, the Los Angeles period we'll call it?
A. The people or the——
Q. I'm speaking of the various labor officials.
Mr. WEILAND. Let's go off the record for a minute.
[Discussion held off the record.]
The WITNESS. Sig Arowitz, John Cinquimani, Joe Benfatti, Bill Robertson, Blackie Leavitt.
By Mr. WEILAND.
Q. These are all visitors to Mr. Hauser's office?
A. Yes.
Q. Can you tell us was Mr. Hauser particularly close to any of those people?
A. To Sig Arowitz.
Q. And is it fair to say that he was very close personal friends of Mr. Arowitz?
A. Yes.
Q. And Mr. Arowitz was the head of the Labor Federation in Los Angeles; is that correct?
A. That is.
Q. Do you remember when you first met Bill Robertson?
A. It was very early on, I met him at some labor functions.
Q. And Robertson, I understand, worked for Mr. Arowitz for a period of time before Arowitz died and then he took Mr. Arowitz's job. What would Robertson be doing when he would come to visit Mr. Hauser, to the best of your knowledge?
A. He would come and have lunch with him, sometimes bring complaints about unpaid claims and to the best of my knowledge collect money.
Q. Why do you say to the best of your knowledge, collect money?
A. Because on occasion I was sent to the bank when he was there and Mr. Hauser said that he gave him money.
Q. Well, let's talk about Hauser's practice with respect to labor officials generally. Is it your testimony that Hauser would make payments to labor officials in Los Angeles and elsewhere?
A. Yes.
Q. And generally how would he accomplish this?
A. By sending someone to the bank with a check to get cash and bring it back to his office.
Q. Would he send you to cash his checks from time to time?
A. Frequently, yes.
Q. And who else would have to do that?
A. George Herrera, Priscilla Rowe and Miriam Perry from time to time.
Q. Did you ever see Hauser give Mr. Robertson any money?
A. No.

Q. You have told the staff in the past that there were times when you would cash a check, that is a check to cash made out to cash, on the instructions of Mr. Hauser and shortly thereafter Mr. Robertson would appear; is that your recollection here today?

A. Yes.

Q. Do you recall any amounts of these checks?

A. Not specifically, no.

Q. All right. Speaking in general terms about Hauser's practice of cashing checks for the purpose of making payments to labor people; what would generally be the amount of these checks, if you could give us a range?

A. Range anywhere between $500 and $5,000.

Q. Did you ever have any discussions with Mr. Hauser about why he was making those payments?

A. Yes.

Q. And what's your best recollection of those discussions?

A. He use to say that's how he got the business. He had to do it.

Q. Did you ever discuss with Mr. Hauser the fact that the companies—I'm using the word "companies"—were not financially able to make these kinds of payments?

A. Yes.

Q. And what kind of a response would you get from Hauser on those occasions?

A. Standard response was "What do you want from me".

Q. "What do you want from me"?

A. Yes.

Q. As if he had no choice in the matter?

A. Exactly.

Q. You said that Mr. Leavitt was one of Hauser's visitors from time to time during the Los Angeles period; can you give me your best estimation of what time that was, what period of time? Was there any particular time when he was there more than others?

A. He was a frequent visitor when we had Labor Insurance of America and that would probably be around 1970. I could be wrong on that, and then he was a frequent visitor when we had National Prepaid Health Plan.

Q. Okay, and what time was that?

A. That was probably around '72.

Q. And at some point Mr. Leavitt started dating one of Mr. Hauser's employees; is that right?

A. Yes.

Q. And that was Miriam Perry?

A. Yes.

Q. And he finally married Ms. Perry: is that right?

A. Yes.

Q. You may have alluded to it before but just so the record is clear, would you tell us what your understanding of the purpose of these payments was, the idea is what was Hauser getting for the payments to these Union people?

A. He was getting their vote of confidence to have them involved in our insurance plans, to maintain them in our insurance plans.

Q. And would he ever get membership information from these people?

A. Yes.

Q. How do you know that; did you actually see lists?

A. Oh, yes.

Q. With residence, addresses and whatnot?

A. Yes.

Q. Did. Mr. Hauser make any payments to Herman "Blackie" Leavitt to the best of your knowledge?

A. He said he did.

Q. And when did he say that; was it at any particular time, was it more than once?

A. It was on several occasions and starting way back early.

Q. Was there anything different about his method of making these payments or did it involve the cashing of checks and delivery of the money to his office?

A. It involved cash and it involved hiring his brother.

Q. Hiring Mr. Leavitt's brother?

A. Yes.

Q. What was his name?
A. Julius.
Q. What did Julius Leavitt do for the company?
A. I'm not sure.
Q. Do you recall which payroll he was on?
A. I think it was Labor Insurance but I'm not sure.
Q. Was it unusual for Mr. Hauser to hire relatives or friends of labor people with whom he did business?
A. No, it was standard.
Q. Can you think of any other such hire of his?
A. Joe Benfatti's daughter. Richard Vasquez's wife. Cornealeus Wall's wife.
Q. Who is Cornealeus Wall?
A. He's with the garment workers.
Q. And Mr. Vasquez?
A. He was with the laundry workers.
Q. How about Mr. Robertson, did he ever employ anyone from Mr. Robertson's family?
A. Yes, his son.
Q. You have told us about the acquisition of these membership lists.
A. Yes.
Q. Were you ever involved in actually obtaining the list from the union hall and copying it or was that all done by someone else?
A. No, symbolic.
Q. Would you describe how that happened?
A. We would generaly meet after hours or on a Saturday and take the list and copy it or type up the list and take it back before the office opened Monday morning.
Q. Can you give me a ball-park estimate of how many times you may have done that?
A. Seven or eight.
Q. What sort of success rate would you then have on mailings based upon these membership lists?
A. It varied, from time to time it was pretty good and then other times not much response.
Q. Is it fair to say, however, that Hauser's companies obtained a substantial amount of their total business based upon these types of solicitations?
A. Yes.
Q. Do you have a recollection as to how many union locals in the Los Angeles area Hauser did business with?
A. In the area of 50 to 60.
Q. And what about after the move to Florida, how many locals were involved there?
A. About 15.
Q. And would those be in various parts of the country?
A. Yes.
Q. And in both instances, both when you were based in LA and when you were based in Florida?
A. I think the only one we had outside of Los Angeles when we were in Los Angeles was Phoenix.
Q. Can you give me an estimate as to how much money in premium funds Mr. Hauser would have had access to during this period?
A. During that whole time period about fifty to a hundred million.
Q. Do you recall a situation after you moved to Florida when Hauser was attempting to acquire a substantial business with a teamsters union and he dealt with Richard Kline among others?
A, Yes.
Q. Were you involved in that or did that occur actually after you had more or less left the company?
A. That occurred after I moved back to Los Angeles.
Q. But you are familiar with the general nature of that situation?
A, Yes.
Q. Do you know how much Hauser paid attorney-client deeds?
A. If I remember correctly it was 250,000.

Q. Did he tell you that or did you see his books and records or what do you base that on?

A. I saw cancelled checks.

Mr. WEILAND. Let's go off the record for a minute.

[Discussion held off the record.]

Mr. WEILAND. Back on the record.

By Mr. WEILAND.

Q. With respect to Mr. Hauser's method of doing business, is it fair to say that Mr. Hauser was in very frequent contact with the succession of labor leaders during the course of your association with Hauser?

A. Yes, that would be fair.

Q. And would he travel with them, for example?

A. He would travel with them, he would have lunch and dinner with them, go places with them; yes, very social.

Q. Do you know whether he ever traveled with Mr. Leavitt?

A. I don't know for certainty but I would imagine so.

Q. And you say that because that would be typical of Mr. Hauser in the way that he did business?

A. Yes.

Q. You know that he traveled with labor people from time to time?

A. Yes.

Q. Do you know whether he went to Las Vegas with labor people?

A. Yes, he did.

Q. Do you know whether he ever cashed checks in casinos?

A. Several.

Q. What about race tracks, did Mr. Hauser frequent race tracks?

A. Yes, he did.

Q. Do you know whether he took labor people as his guests on occasion?

A. Yes, he did.

Q. Did he cash checks at race tracks?

A. Several.

Q. What about his lifestyle; how would you characterize it?

A. Quite nice. He dressed very well, ate in the best restaurants, always traveled first-class.

Q. What sort of salary was Hauser drawing?

A. He prided himself on not drawing one.

Q. How did he—I take it then his lifestyle was supported by expense money?

A. Yes, and credit cards.

Q. You have said during your testimony this morning that Hauser told you he had to make payments and he made a statement at least on one occasion to the effect of "How do you think we get the business?" Is it your understanding that Hauser's success in this business was predicated upon his making payments to labor people and the result in influence which that garnered for him?

A. Absolutely.

Q. Is there any doubt in your mind that had it not been for payments to labor people Hauser's various businesses would never have succeeded to the extent they did?

[Pause.]

Q. Go ahead and answer the question.

A. Yes, that's true.

Q. I don't mean to state the obvious because I can tell from your expression that you are thoroughly convinced of this, but we want to make sure the record is clear. Do you understand that, Ms. Johnson?

A. Yes, I did.

Q. Did you yourself make any payments?

A. Yes.

Q. Was that in Los Angeles or Florida?

A. Florida.

Mr. WEILAND. Off the record.

[Discussion held off the record.]

Mr. WEILAND. Back on the record.

Q. With respect to the individuals you paid during your assignment in Florida, have you discussed those payments with Federal authorities?

A. Yes, I have.

Q. Would that be with members of the FBI?

A. Yes.

Q. All right. So as far as you are concerned they have that information and they are investigating?

A. Yes.

Mr. WEILAND. I have nothing else, Ms. Johnson, I appreciate your being here today and cooperating with the Subcommittee in its investigation.

I close the record at this point.

[Discussion off the record.]

(I have read the foregoing pages 3 through 20, inclusive, which contain a correct transcript of the answers made by me to the questions therein recorded.—LINDA JOHNSON.)

CERTIFICATE OF NOTARY PUBLIC

I, Caroline Hofeld, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me in shorthand and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

CAROLINE HOFELD,
Notary Public in and for the State of California.

DEPOSITION OF MELVIN J. WYMAN

BEFORE THE STAFF OF THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS, COMMITTEE ON GOVERNMENTAL AFFAIRS

In Re: Hotel Employees and Restaurant Employees International Union, Tuesday, March 29, 1983, Los Angeles, California.

Deposition of Melvin J. Wyman, a witness in the above-entitled matter, called for examination by counsel for the Permanent Subcommittee on Investigations, pursuant to Notice, in Room 3211, Federal Building, Los Angeles, California, when the parties were represented by the following counsel:

On behalf of the Permanent Subcommittee on Investigations: S. Cass Weiland, Esq., Chief Counsel, Permanent Subcommittee on Investigations.

Thereupon, Melvin J. Wyman, a witness, was called for examination by counsel for the Permanent Subcommittee on Investigations, and, after having been duly sworn, by the Notary Public, was examined and testified as follows:

Examination by Chief Counsel, Permanent Subcommittee on Investigations.

By Mr. WEILAND:

Q. Would you state your full name and give the city in which you reside?

A. Melvin J. Wyman, Los Angeles.

Q. Mr. Wyman, as you know, I'm with the Permanent Subcommittee on Investigations. We are involved in an inquiry relating to the Hotel and Restaurant Workers International Union and various of its locals. The Subcommittee has been involved in a variety of labor-management issues since the 1950's and worked on this particular project for almost two years.

The purpose of our inquiry is essentially to lay the ground work or provide the evidentiary basis for legislation which may be introduced in Congress and which has in the past been introduced in a large part as a result of hearings of this Subcommittee, work of this Subcommittee. We have asked you to appear today to testify and we have a Notice of Deposition which I'd like to include in the record as Exhibit 1 and I have several questions relating to your association with Joe Hauser.

[The document above referred to was marked Exhibit 1 and was received in evidence.]

By Mr. WEILAND:

Q. Would you tell me first during what period of time did you work with Joe Hauser?

A. From the Fall of 1972 through approximately the end of 1976.

Q. And what capacities did you serve?

A. I was first a Vice President of Equitable Health Corporation of America, which was a profit-making company. Joe controlled which managed a pre-paid health plan in Los Angeles and from there I was associated with Joe in a series of insurance companies until the end of 1976.

Q. How did you first get to know Hauser?

A. I met him in Los Angeles, I was introduced to him by my brother in 1972.

Q. The National Prepaid Health Plan covered approximately 20,000 members of several unions in this area; is that correct?

A. Correct.

Q. Can you give me a ball-park estimate as to the number of employees that the company had or I should say the number of employees all of the companies had at any given time since it's possible one employee was working for more than one of Hauser's companies?

A. I would say in Los Angeles there was approximately 100 employees but that's a very rough estimate.

Q. Is it true that in 1973 National Prepaid Health went bankrupt?

A. That's correct, yes, at the end of 1973.

Q. And to what do you attribute that bankruptcy?

A. I would say mainly that the rates, premium rates, under which the premium insurance was written was much too low so the underwriting was inadequate and those rates were fixed over one and two year periods of time, were insufficient to cover the claims plus the benefits were extremely generous in the health plan.

Q. Is it your opinion that Hauser basically gave away too much in a business sense in order to attract this union business?

A. Yes.

Q. At approximately this time, I guess, Hauser purchased Farmers National Life and shifted his base of operation to Florida; is that right?

A. That's right. The company was first purchased in October of 1973.

Q. And you stayed in California for a period of time or did you ever move?

A. I never moved to Florida.

Q. What did you do in California?

A. For the year of 1974 it was basically trying to handle the problems left behind in California with National Prepaid and Equitable Health Corporation.

Q. Did you draw a salary from one of Hauser's corporations?

A. Yes. He set up an insurance agency called National Financial Agency in Florida which was to obtain the commissions for the insurance business that he wrote in Florida and I drew a salary from that company while I was in Los Angeles.

Q. Was Hauser's business in Florida seemingly successful from the start?

A. Yes. He wrote a lot of insurance business in Florida.

Q. Did you talk to Hauser as to what explanation he had for his success rate down there?

A. His explanation was he had the same relationship with the union people in Florida and had been introduced to them as he did in California. It was his claim he could do that in any state in the union.

Q. Because of his extensive union contacts?

A. At the national level, yes.

Q. When you say the national level, which unions are you talking about?

A. Particularly at that time it was the Laborers International Union.

Q. Did there come a time when he set up the Transcoast Insurance Company?

A. Yes. That occurred after some problems started developing in Florida and he had hope of writing some business back in California and he wanted to use that agency for the commission.

Q. Did that company ever really get off the ground?

A. No, it did not.

Q. Did you run the company such as it was back in Los Angeles?

A. Yes.

Q. Did Linda Johnson assist you in that endeavor after awhile?

A. At a later time after she moved back from Florida.

Q. And Linda Johnson worked for Joe Hauser for several years, is that right?

A. That's correct.

Q. What types of positions did she occupy in various companies?

A. She was basically operating as his personal administrative assistant but she was also as I recall a secretary-treasurer, perhaps, of at least one of the companies.

Q. Is it fair to say that Linda Johnson was closer to Hauser than you were?

A. Yes, I would say so.

Q. Both in the business sense and on a day-to-day personal basis?

A. Yes, she had much more contact with him.

Q. Did she have more to do with the finances of the companies than you did?

A. With the finances as they related to Hauser's personal money?

Q. For example, do you know whether Linda would cash checks for Hauser?

A. Yes, she would cash checks for Joe, yes.

Q. Did you become an officer and director along with Hauser associate John Boden in 1976 in the National American Life Insurance Company of Baton Rouge?

A. Yes, approximately June of 1976.

Q. Would you explain what NALICO was and why that was developed?

A. Joe was having problems with insurance regulators in various states and at the same time was looking for a vehicle to write business in many states, an insurance company that was licensed in many states and NALICO became available for purchase in the Spring of 1976, holding company called National Pacific Corporation was formed and the purchase was completed about that time.

Q. I want to state for the record that the NALICO matter was the subject of a Subcommittee investigation in 1977 and at that time we took substantial testimony relating to Hauser's various insurance schemes. Now, it's my understanding and you have testified that in '76 you left Hauser's company?

A. Correct.

Q. And you did begin to cooperate with the Government in its investigations?

A. That's correct.

Q. Have you in fact testified before various Grand Juries and trials?

A. Yes, I have.

Q. Where were those?

A. Grand Juries in Arizona, Florida and Massachusetts and trials in Arizona and Florida.

Q. As you know, the specific interest of the Subcommittee is in the Local and Restaurant Workers International Union. It is our understanding that Hauser dealt with various Hotel and Restaurant Worker officials in Los Angeles and in Florida. Do you have personal knowledge of Mr. Hauser's dealings with, for example, Mr. Herman Leavitt?

A. Yes.

Q. What do you know of his relationship to Leavitt?

A. Well, in general that he had known him for a period of time, I believe he told me prior to 1973 and that he re-established the relationship in 1973 and then Joe's company National Prepaid Health Plan covered as I recall two of the Hotel and Restaurant Workers Locals in the health plan in 1973.

Q. Was Leavitt a visitor to Hauser's office on occasions?

A. Yes, he was.

Q. And can you characterize the frequency of those visits at all?

A. I would say during maybe the 6th-month period I would see him on the average of once a week, once every two weeks.

Q. How about William Robertson, who used to be associated with a Hotel Local in the San Fernando Valley; do you know him?

A. I met him, yes.

Q. Was he a visitor to Mr. Hauser's office?

A. Yes, he was.

Q. Do you understand what he was doing there; do you have a recollection as to the purpose of his visit?

A. Not really.

Q. I should say that during this period of time, that is after 1973, Robertson was associated with the L.A. County Federation of Labor and not with the Hotel Workers Local. Does that jog any memory?

A. Yes, I'm not sure at what point in time that actually occurred. I just assumed that when he was there with—as part of the Hotel Workers he was there for Union business relating to the health plan.

Q. Mr. Hauser was quite friendly with Sig Arowitz; is that correct?

A. That's correct.

Q. Who was the Executive Director or President of the L.A. County Federation prior to Mr. Robertson. Would you say that Arowitz and Hauser were quite close friends?

A. Yes, they were very close.

Q. Do you have any personal knowledge of payments made by Hauser to any labor official?

A. No direct knowledge beyond Joe's allusions that he was making pay-offs by way of stock in the various companies that he owned.

Q. You mean he has given them shares of stock in his companies?

A. That was what he claimed.

Q. What about cash payments, did you ever witness one?

A. No, I did not.

Q. Was it understood around the office that Hauser was paying labor people to do business?

A. There was that assumption and he met with them alone most of the time.

Q. Is it fair to say that was his constant practice, that he would not generally or would be very unusual for him to have other people in his office?

A. That's correct, yes.

Q. And I mean by that, during the period of time he was meeting with these various labor officials.

A. Yes.

Q. Did there come a time when you noticed a number of checks which Hauser had cashed at local dog tracks?

A. Dog tracks in Florida, yes.

Q. In Florida?

A. Yes.

Q. And what do you recall about that incident?

A. I was trying to determine where the money had gone and Linda Johnson told me that Joe had cashed the checks at the track and that he had entertained some union officials and other business associates.

Q. Did you make a trip to Minneapolis with Hauser for the purpose of soliciting hotel worker business?

A. Yes.

Q. And when was that?

A. That was in 1973, I think it was, at a Hotel Workers' annual convention or meeting.

Q. Can you describe for me the circumstances under which you took that trip, in more detail what the purpose was and what Hauser explained to you prior to your departure?

A. An associate of mine, an acquaintance, Jay Mintz, an attorney who was working for a local brokerage house was attempting to be able to manage some union pension funds and Joe indicated that he could perhaps help in getting Jay's firm some business and so Jay and I both went along to Minneapolis where the purpose was for Joe to introduce Jay to some union people and also for me to meet some of the people. Then Joe expected to obtain the substantial amount of business from the hotel workers over a period of time.

Q. So his purpose was not simply to do a favor for Mr. Mintz; that was just a part of it?

A. Not at all, that was a very small part, I'm sure, as far as Joe was concerned.

Q. And this would be life insurance business from the International?

A. Life insurance business and health insurance.

Q. Both. What do you recall about the details of the trip?

A. Not a lot. Mainly a couple of social meetings where Joe merely introduced us to people but no conversations of substance really occurred in our presence.

Q. Did you see him visit with various Hotel Worker officials during that time?

A. I saw him with Blackie Leavitt, Mr. Schiffman; those are the only two that I recall directly, although, I believe William Robertson was back at that convention but I can't say that for sure.

Q. When you say Mr. Schiffman you are talking about Herbert "Pinky" Schiffman?

A. Yes.

Q. And Mr. Schiffman has been more recently in the San Diego area. Were you aware of that?

A. No, I was not.

Q. You mentioned Mr. William Robertson?

A. Yes.

Q. Do you recall attending a dinner with Mr. Robertson while you were there together with Mr. Hauser and perhaps a few other people at a local restaurant in St. Paul?

A. It's possible I did, I don't recall the dinner at all.

Mr. WEILAND. Okay. Let's go off the record for a minute.

[Discussion held off the record.]

That's all I have at this time, Mr. Wyman, I appreciate your appearing this morning and cooperating with the Subcommittee staff over a long period of time and that will end the record for today.

[Discussion held off record.]

(I have read the foregoing pages 3 through 15, inclusive, which contain a correct transcript of the answers made by me to the questions therein recorded—MELVIN WYMAN.)

CERTIFICATE OF NOTARY PUBLIC

I, Caroline T. Hofeld, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me in shorthand and thereafter reduced to typewriting under my direct;

that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

CAROLINE HOFELD,
Notary Public in and for the State of California.

DEPOSITION OF WILLIAM ROBERTSON

BEFORE THE STAFF OF THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS, COMMITTEE ON GOVERNMENTAL AFFAIRS

In Re: Hotel Employees and Restaurant Employees International Union, Tuesday, March 29, 1983, Los Angeles, California.

Deposition of William Robertson, a witness in the above-entitled matter, called for examination by counsel for the Permanent Subcommittee on Investigations, pursuant to Notice, in Room 3211, Federal Building, Los Angeles, CA, when the parties were represented by the following counsel:

On behalf of the Permanent Subcommittee on Investigations: S. Cass Weiland, Esq., Chief Counsel, Permanent Subcommittee on Investigations. David E. Faulkner, Investigator, Permanent Subcommittee on Investigations.

On behalf of William Robertson: Joseph A. Ball, Esq., Ball, Hunt, Hart, Brown & Baerwitz, Long Beach, Calif.

Thereupon, William Robertson, a witness, was called for examination by counsel for the Permanent Subcommittee on Investigations, and, after having been duly sworn by the Notary public, was examined and testified as follows:

Examination by Chief Counsel, Permanent Committee on Investigations.

Mr. WEILAND. Mr. Robertson, Mr. Faulkner and I, as you know, are with the Permanent Subcommittee on Investigations which has a long history of involvement in various labor management issues getting back to the 1950's. We have endeavored over the course of the last two years to conduct an inquiry into certain allegations relating to the Hotel Employees and Restaurant Employees International Union. You may be familiar with the general outlines of our work in that area. I know you have spoken with Mr. Faulkner informally in the past.

The purpose of our inquiry is to provide for the evidentiary basis, so to speak, for legislation and legislative initiatives which arise in the Congress, particularly through the members of the Subcommittee.

Let me begin by asking your counsel to identify himself.

Mr. BALL. Joseph A. Ball.

By. Mr. WEILAND:

Q. Mr. Robertson, would you please state your address and your office telephone?

A. The office address is 2130 West Ninth Street. The phone number is 381-5611.

Q. And your present employment, sir?

A. I'm the Executive Secretary Treasurer, Los Angeles County Federation of Labor, AFL-CIO.

Q. Before we get further into your current employment and that history, would you tell me are you married?

A. Yes, separated.

Q. How long have you been separated?

A. About 10 years.

Q. And do you have any children?

A. I have three grown children, yes.

Q. And what are their names?

A. William, Robert and Kathleen.

Q. OK. When did you assume your present position?

A. Present position is Executive Secretary-Treasurer.

Q. Yes. sir. when did you assume that position?

A. September of 1975.

Q. Now, was that after the death of Sig Arowitz?

A. Yes, it was.

Q. And prior to that time did you serve as his assistant?

A. Yes, I did.

Q. How long did you have that job?
A. I'm not sure, around 2 years I'd say.
Q. Was the job as his assistant a full-time job?
A. Yes, it was.
Q. What was your salary?
A. At that time?
Q. Yes, sir.
A. I don't recollect.
Q. That's 1973 roughly. Let me ask you this; do you recall what your salary was in September 1975 when you assumed the position as Executive Secretary?
A. Something like $33,000.
Q. And what is it today?
A. Approximately $54,000.
Q. Plus expenses?
A. Yes.
Q. And how much do your expenses run, normally?
A. Probably just a rough estimate would be $120 a week.
Q. What did you do prior to going to work with Mr. Arowitz?
A. Well, I went to work for the Los Angeles County Federation of Labor and Mr. Arowitz in December of 1967.
Q. OK. What was your job at that time?
A. I was a business representative.
Q. And was that a full-time job?
A. Yes, it was.
Q. At one time were you associated with Hotel Workers Union in the Valley somewhere?
A. Yes.
Q. Would you tell me about that?
A. Yes. I went to—I was elected as President, I believe, in 1957 and served in that capacity to 1967 when I went to work for the Federation.
Q. What was that local?
A. At that time it was Local 694.
Q. Has it changed—Has it been merged?
A. Subsequently has merged with a Local 11.
Q. So now it's part of Local 11?
A. After I left it merged. Pardon?
Q. Is it part of Local 11 now?
A. Yes, it is.
Q. How many members in that local, roughly, during the time you were President?
A. Roughly 3500.
Q. And where was it located specifically?
A. I can't remember the address, Ventura Boulevard in Sherman Oaks.
Q. You know Mr. Herman Leavitt, do you not?
A. Yes, I do.
Q. Does your acquaintance with Mr. Leavitt go way back?
A. Yes.
Q. How many years?
A. Just about the time I was elected to my post in the San Fernando Valley.
Q. He was associated with the Hotel Workers himself at that time?
A. A that time I believe he was President of the Bar Tenders Local in Los Angeles, Local number I think is 284.
Q. Do you consider yourself a personal friend of Mr. Leavitt?
A. Yes.
Q. Close personal friend?
A. I was, our association because of the work and travel it has diminished a great deal.
Q. Well, he has actually moved to Cincinnati, has he not?
A. That's what I understand, yes.
Q. When was the last time you saw him?
A. I'm trying to—We had a luncheon for former Vice President Mondale which I put together in the Century Plaza. I don't know, maybe six weeks, two months ago. I'm not absolutely sure that's the last time, I'm trying to recall.
Q. How about have you spoken to him on the phone recently?
A. Yes, I have.

Q. Have you spoken to him about your appearance today?

A. As recent as yesterday. He called me, he is having a dinner, Local 11 is holding a dinner for him. In fact, since he has been elected Secretary of the International and he had called me prior to that about putting out a letter to the Unions to get participation on it. So he called me about that and while on the phone I volunteered the fact that I was giving a deposition.

Q. What did he tell you?

A. What did he tell me?

Q. About this deposition; did he make any comment?

A. I believe he said that there is depositions going on through—I don't know, if he said throughout the country. Anyway, there were depositions going on in other locals on this.

Q. Did he tell you what his position was with respect to speaking to the Subcommittee was?

A. No.

Q. Did he tell you what Ed Hanley's position was?

A. No.

Q. Have you spoken to any other Hotel Worker officer or employee about your appearance today?

A. No, I haven't.

Q. How long have you known Ed Hanley?

A. Well, I knew him as head of the—he was head of Chicago Bartenders Union and I met him at our International Convention and I dont' know how far that goes back.

Q. In any event, prior to him assuming the General Presidency in '73 or—'73.

A. Right.

Q. Do you consider yourself a friend of Mr. Hanley's?

A. Not an intimate friend, no.

Q. I'd like to go through a short list of other individuals and ask you if you know these people. Do you know John Gibson, a former Vice President?

A. Yes.

Q. And how long have you known Mr. Gibson?

A. About the same time as Hanley. He was, I believe, head of the cooks in St. Louis at the time.

Q. He's incarcerated at this time in the LA area; have you seen him since he's been in jail.

A. He's incarcerated, in jail? No, I haven't seen him, no.

Q. Did you know Al Bramlet?

A. I had met him, yes.

Q. Do you know an individual from San Diego called Chris Petti?

A. I don't think so, the name doesn't ring a bell.

Q. How about an individual from Las Vegas named Tony Spilotro?

A. The name doesn't ring a bell.

Q. Do you know Anthony Accardo of Chicago?

A. No, sir.

Q. Never met him?

A. Not to my knowledge.

Q. How about Joseph Aiuppi?

A. Not familiar.

Q. He is also from Chicago but maintains a residence in Palm Springs.

A. Joseph——

Mr. BALL. Just answer the question.

The WITNESS. I don't recall any such person, no.

By Mr. WEILAND.

Q. Do you know Vincent Sirabella?

A. Yes.

Q. How long have you known Mr. Sirabella?

A. I don't know when he came to Los Angeles. I had met him, I believe when he went to—I believe he was—not originally, but first I knew of him he was in San Francisco, then he came down here. I met him at different Union functions.

Q. You don't consider yourself a close friend of Mr. Sirabella?

A. No, I don't.

Q. Do you have a residence outside of the LA area?

A. No, sir.

Q. Have you ever maintained a residence in the Palm Springs area, for example?

A. No.

Q. Do you know whether Mr. Leavitt has a house in the Palm Springs area?
A. I do not know that, no.
Q. Do you know whether Hanley has one?
A. I don't know for sure, I've heard he has but I don't know.
Q. Do you know Joseph Hauser?
A. Yes.
Q. When did you first meet Mr. Hauser?
A. Probably first met him in the late 60s.
Q. Do you recall how the circumstances under which you met Hauser?
A. No, Joe Hauser went to a lot of Union functions, dinners, conventions and he was all around.
Q. Is it fair to say that he was a close friend of Mr. Arowitz?
A. Yes.
Q. And they would be seen together frequently?
A. Yes.
Q. Is it possible Arowitz introduced you to Hauser?
A. Quite possible.
Q. Did Hauser have anything to do with your becoming Arowitz's assistant in about '73?
A. None whatsoever, no, sir.
Q. You don't know whether he made any phone calls for you or recommendations or that sort of thing?
A. Not to my knowledge.
Q. How about when Mr. Arowitz died and you assumed your current position; did Hauser recommend you to Union officials and that sort of thing?
A. Not to my knowledge, I rather he wouldn't because he had no voting powers.
Q. But to your knowledge he made no such recommendations or phone calls on your behalf?
A. No.
Q. Is yours an elected position?
A. Yes, it is.
Q. And how frequently do you stand for re-election?
A. Up to this last election which was held in June of 1982 it's every two years. Now it's every four years.
Q. Were you opposed in June of '82?
A. No.
Q. Would you tell me something about your job, what exactly do you do?
A. Well, we have—Federation has over 400 affiliated Unions. We have probably, I can't give precise figures, something over 300,000 per capita members paying to us. We claim we represent 700,000 people because there are that many AFL–CIO members living in Los Angeles County.

Now, we perform a number of functions. I've been involved in negotiations, city and county employees, Kaiser Hospital, race tracks to help the unions when the union calls and asks for assistance then I get involved in negotiations. We help them in their organizing campaigns. We run what I feel is a pretty effective means of communicating to the membership out there through various means. We have a number of committees dealing with health, safety and education, consumer protection and things of that nature, and we have our forums to address ourselves to our affiliates, our delegate meetings. We are receptive to trying to work in coordinations with unions and their problems and whether it is a strike situation. We are very involved politically in trying to get the type of legislation which we think is good for the working man and for the community as well.

In addition to that, I personally serve on a lot of various commissions and committees. As an example, I was a member of the Coliseum Commission. I was appointed by Governor Jerry Brown. I spent a great deal of time trying to get a football team in Los Angeles, the Raiders, but——

And I was a member of the seven people selected by the Mayor to secure the Olympics for Los Angeles. I'm still an executive board member of that committee. I served as Secretary of United Way Aid, have been in the past Treasurer and an Executive Board Member of that organization. I was a member of the City's Ad Hoc Energy Commission when we had the Energy Commission in '73 and '74, member of the Los Angeles County Energy Commission, Economic Development Commissioner, former commissioner of the Library Commission. Then Executive Board Member of the Arthritis Foundation. Just various——

Q. That's a lengthy resume. Are some of these positions from which you derive income?

A. On the Coliseum we get $25 a meeting.

Q. And that was it?

A. Yes, I believe on the City Commission it was $10 a meeting.

Q. Getting back to Hauser for a minute; how much time did you spend with Mr. Hauser when you were Arowitz's assistant? Would you, for example, visit his office from time to time?

A. Yes.

Q. And can you give me any kind of a ball-park figure as to how frequenty that might have been?

A. We had a—Our Federation was part of his health plan or health-medical coverage plan which for awhile was operating efficiently and then bills were not being paid in a lot of cases, so Mr. Arowitz asked me to go up and visit Joe Hauser to see if a resolution could be made of these problems so I would have to, depending on the frequency of the complaints, make an appeal to Mr. Hauser to take care of these complaints and so I don't know actually how many times I went to his office. It may have been 15 or a score of times, I don't know.

Q. And this was something that Arowitz preferred not to take care of himsef?

A. I can't make that blanket statement but he asked me to do it and I was working for him.

Q. Would you deal with Hauser directly on those instances or with his employees?

A. Well, originally I believe I tried to make some phone calls, tried to expedite it over the telephone with somebody in the office but that wasn't getting the job done so I went to visit Mr. Hauser.

Q. And did you get to know his secretary, Linda Johnson?

A. Probably did, I don't remember.

Q. You don't recall?

A. I don't recall the name, no.

Q. Would you from time to time have lunch with Hauser?

A. I recall one dinner with Hauser with Sig Arowitz at DHLE Secret Harbor, I remember that distinctly. It is now under a new name.

Q. Why do you recall that?

A. Why do I recall it, because it's the only dinner I had with them. No, I had a dinner with him, I was at—I was in St. Paul, Minnesota. He and some other people were back there for the Hotel-Restaurant, I don't know whether it was a convention or at least they were meeting in Minneapolis and I took a number of people to St. Paul which is my home town and I invited among others, Joe Hauser and Mr. Wyman, I don't remember his first name——

Q. Mel Wyman?

A. I'm not sure. In any event, they were my guests.

Q. For dinner at the hotel or something?

A. No, it was at the St. Paul at the—it was on University Avenue, I can't think of the name.

Q. Do you remember who else were there, who some of your other guests were that evening? Was Mr. Hanley there, for example?

A. No.

Q. How about Mr. Leavitt?

A. No.

Q. Do you know Pinky Schiffman from San Diego, he's a Vice President of the International Union?

A. I know him, yes.

Q. Was he at the convention there in the meeting in the Twin Cities?

A. I would assume he was, I can't remember.

Q. How about after you became the Executive Secretary, did you continue to see Hauser from time to time?

A. No.

Q. Getting back to that dinner in St. Paul, do you remember any of the other guests?

A. No, a friend of mine was a bar manager over there, a fellow I use to play ball with back there, that's the reason I went over there. I don't even remember whether it was a party of six or eight or what, but I do remember that Mr. Wyman and Mr. Hauser were there.

Q. Can you describe just very briefly in laymens' terms what it was that Hauser did for his business there with this insurance business or whatever, that you were dealing with him on somewhat a frequent basis?

A. Can I describe——

Q. Let me clarify that. What kind of a business was Hauser in; was he administering a particular plan or how would you describe it?

A. Yes, he had a particular plan which I felt the concept was a good concept which would provide all the medical care and hospital expenses for all the members of the plan and was very appealing for a set amount which I don't remember what the cost was. One hypothetically would not have to worry about any medical expenses.

Q. How about insurance, do you recall Hauser being in the insurance business as well, life insurance?

A. No, I don't.

Q. Did Hauser ever ask you to introduce him to Union people in the Los Angeles area?

A. No, he didn't. I think he had met those people without me.

Q. Why do you say that?

A. Well, he was a close associate with Sig Arowitz. I had nothing really to offer in the sense of introducing him. Sig Arowitz was the Executive Secretary and knew more people and knew them better than I did.

Q. Do you know, for example, that Hauser was close to Mr. Leavitt?

A. I don't know that he was close to him. I don't believe they were close friends.

Q. Do you believe that they saw each other with some frequency?

A. I don't know what frequency.

Q. Do you know whether Leavitt ever went to Las Vegas with Hauser?

A. I do not know that.

Q. Did you ever go to Las Vegas with Hauser?

A. No, sir.

Q. Or meet him?

A. No, sir.

Q. Did you ever receive any money from Hauser?

A. No, sir, absolutely not.

Q. Either for yourself or for anybody else?

A. No, sir.

Q. Did you ever recommend Hauser or Hauser's business to Union people whether or not he solicited that recommendation?

A. No, I don't recall—it's possible that someone may have called knowing that we had the plan with them and asked him how the plan was working, but I don't recall that.

Q. Did you ever hear from Mr. Arowitz or anyone else that Hauser made his mortgage payments for him?

A. I didn't hear it from Mr. Arowitz. I heard the rumor and that's all I took it as.

Q. Do you recall who you heard it from?

A. No.

Q. You would not consider yourself a close friend of Hauser, I take it?

A. No, sir.

Q. And it's your testimony that you had no association with him after you assumed your current position?

A. No association with him. He called me——

Q. He called you?

A. He called me after he got into some trouble. He wanted me to try to solicit some money for his legal defense. I told him I felt sorry for the unfortunate situation he was in. I tried to do something and then he had a fellow come up to my office who claimed to be an attorney whose name I don't recall, with the same mission in mind and that fellow later attempted to arrange a breakfast meeting, was the way he put it, with Joe Hauser which I did not go to. Joe Hauser called me another time and asked me if I would try to help get his kid into the camera union, which is very difficult for one to get into and I said I would try. I made a call and tried. That's about the extent of my conversation with Joe.

Q. Did he ever do you any favors?

A. Did he ever do me any favors; in the sense that, yes, my son was not working at that period of time and Mr. Arowitz knew about it and Sig said he would talk to Joe. My son went to work for Joe Hauser for a short period of time, something like four to six months.

Q. Was that William or Robert?

A. William.

Q. Did you recall the year?
A. No, I don't, 1972–1973 is my best guess.
Q. Do you know Bernard Rapoport?
A. Yes, I do.
Q. When did you first meet Mr. Rapoport?
A. Around 1973–1974 is my best guess.
Q. And he is in the insurance business; is that right?
A. Yes, he is.
Q. Have you discussed the insurance business with Rapoport from time to time?
A. Yes, I have.
Q. What were the circumstances of your first meeting with him back in 1973?
A. With Mr. Rapoport?
Q. Yes, sir.
A. Well, he's President of American Income Life and they have, I don't know if it's so much life insurance, I know they were at that time covering a cancer protection insurance, and they generally appealed to the labor movement for their clients and they were 100 percent union, all of their agents belong to the union and a number of AFL–CIO International Officers, I believe, members of the board or labor board have that company and so Mr. Rapoport's insurance company came with his labor movement with good credentials. They opened up an office in Los Angeles and it was a natural that they talk to the unions here and—but we don't—our Federation does not recommend any health plans or insurance companies to anyone.
Q. And that would hold for American Income Life as well?
A. The only answer I would give if someone called me about American Income Life, I would tell them that they were a 100 percent union and everything else being equal, I personally would favor doing business with a union company.
Q. Do you know John Cinquimani?
A. Yes.
Q. Was he associated with that company?
A. Not to my knowledge.
Q. He was never a consultant for Rapoport's company?
A. I don't know.
Q. What did he do?
A. John Cinquimani was Secretary-Treasurer of the Los Angeles Building Trades Council.
Q. Do I take it in that capacity you have a lot of business with him?
A. With John Cinquimani, yes, in the nature of my work on union business, yes.
Q. What about his daughter Carol; do you know her?
A. Yes, I do.
Q. What is your relationship with her, if any?
A. I used to date Carol.
Q. Did you ever live with her?
A. No.
Q. How long did you date her?
A. Maybe two years.
Q. Did you ever receive any money from Carol?
A. No.
Q. Whether it was from her directly or someone that she worked for?
A. No, sir.
Q. Did you know that she worked for Rapoport's company?
A. Yes, I did.
Q. What did she do for the company?
A. PR.
Q. What did she do like on a day-to-day basis, could you describe her work?
A. Well, she would go and visit the union offices and attempt to get accounts and after getting accounts to service them on complaints and that was the nature of her work and she would attend a lot of labor functions and trying to cultivate business.
Q. Did any of your sons or your daughter ever work for Rapoport's company?
A. No.
Q. Do you know that Carol knew Joe Hauser?
A. She may have.
Q. You are not sure?

A. No, I am not sure. She may have ran into him.

Q. I just have a few more questions and then I think we'll be done. Let me ask you this, do you know Sidney Korshak?

A. Yes.

Q. How long have you known Mr. Korshak?

A. I've known of him for probably 20 years. I know he handled the labor relations for Walter O'Malley at the ball park and at one time represented the race track.

Q. How did you first meet him, do you remember?

A. No, I don't.

Q. Is it fair to say that he's a friend of Mr. Leavitt?

A. I can't attest to that.

Q. Have you ever seen the two of them together?

A. I may have, I can't pinpoint it.

Q. Do you consider him to be a friend of yours?

A. Mr. Korshak, no.

Q. When was the last time you saw him, do you you remember?

A. Two or three years ago.

Q. Do you know whether he worked for Marge Everett, you spoke of the race track?

A. He did represent Hollywood Park which she's at and I'm not sure whether he worked for her before they had that battle at Hollywood Park. I know relatively little about that except they were on the opposite sides. So I don't know whether he worked for her, whether he went out when she came in or not, I don't recall.

Q. You have been to Hollywood Park, I take it?

A. Yes, a few times.

Q. Have you ever gone with Mr. Leavitt?

A. I may have, I've been to the track with him and I know I went to the track in Miami Beach at a board meeting down there.

Q. It wouldn't be a common thing ?

A. No, I'm not a track goer, no.

Q. Does Mr. Leavitt have a ranch in San Diego County somewhere?

A. He did have around Fallbrook, yes.

Q. Are you indicating that as far as you know he no longer owns it?

A. No, I don't know whether he owns it or not.

Q. Have you been down there?

A. I have been down there, yes, 15 years ago, something like that, maybe later than that but a long time ago.

Q. Do you know whether Ed Hanley has property down in that area as well?

A. I don't know.

Q. And you have never been to Hanley's house in Palm Springs?

A. No, sir.

Mr. WEILAND. Let's take about a five minute break and come back on the record and finish up.

[Brief recess.]

By Mr. WEILAND:

Q. All right. Mr. Robertson, we are back on the record. I have just about five minutes. We had spoken for a moment about San Diego, have you ever met Joseph Li Mandri in San Diego or his son Marco? Marco is currently running the San Diego Local of Hotel Workers.

A. I now recall meeting Joseph Li Mandri a number of years ago, when he was, I believe, a business agent for the San Diego Culinary Union, on a few occasions at union conventions and functions in San Diego and elsewhere any conversations I had with him were casual and consisted of an exchange of pleasantries. I do not recall ever meeting or knowing Marco Li Mandri.

Q. Let me turn to a different topic. Ed Hanley in his capacity as General President of this International has spoken publically about his plan to negotiate various mergers of locals around the countries; have you ever discussed this plan of Hanleys with him?

A. No, sir.

Q. Have you discussed it with Mr. Leavitt?

A. Other than that Mr. Leavitt told me that that was his idea to do it, Mr. Hanley's idea to merge on the locals.

Q. Did Leavitt indicate to you whether he personally approved of that approach?

A. No, to me it's being done all the time on mergers, they feel it's more effective to be merged for organizing efforts, otherwise I didn't attach a great deal of importance to it.

Q. Do you know from your personal experience whether in other international unions mergers could be effected by a simple decision of the President of the Union, of the International?

A. I'm not that familiar with the various constitutions of the Unions and I'm not up to speed on hotel workers bylaws. I'm a member of Local 11, a dues paying member, I haven't looked at their constitution since I left and I am not familiar with the procedures.

Q. We are concerned about one other issue and that has to do with the invocation of the Fifth Amendment privilege by fiduciary officers and by management people as well, of course, who have fiduciary obligations and the head of the AFL–CIO, Mr. Kirkland has testified before the Subcommittee about his continuing concern about such things. The official policy of the AFL–CIO with respect to the invocation of the Fifth Amendment by fiduciary officers. Do you share Mr. Kirkland's concern about such a practice?

A. Yes. I do.

Q. We had George Meany testify before the Subcommittee years ago and he articulated about a policy very strongly, which if I may paraphrase it, has something to do with the absolute right of any individual, of course, to invoke the Fifth Amendment but the consequent obligation to withdraw from his position as a fiduciary, if he sees fit to invoke the privilege on those types of questions. Do you agree with that?

A. Yes, I do.

Q. I appreciate your attendance here today and speaking candidly. Let me mention one other continuing concern of the Subcommittee, that is, last year the members, particularly Senator Nunn, Senator Rudman, Senator Roth, sponsored a bill that was numbered S. 1785 at the time, titled "Labor Management Racketeering Act" and it was endorsed by Lane Kirkland and others. Are you familiar at all with that piece of legislation.

A. Maybe one element of it and I'm not sure it is germane, where Kirkland is on record as to a union officer convicted; is that part of that?

Q. Yes, sir.

A. That's the only element I know of.

Q. The provision which would allow for the removal of a convicted officer during an appetency to his appeal?

A. Yes, I have mixed emotions about it but I think without giving up the right of appeal, but I think we have a responsibility to our membership and position that upon conviction one should leave office.

Mr. WEILAND. Do you have anything, Mr. Faulkner?

Mr. FAULKNER. No, I don't.

Mr. WEILAND. Mr. Ball?

Mr. BALL. No questions.

Mr. WEILAND. Thank you for coming today and we'll close the record at this time.

[Discussion off the record.]

(I have read the foregoing pages 3 through 28, inclusive, which contain a corrected transcript of the answers made by me to the questions therein recorded.—WILLIAM ROBERTSON.)

CERTIFICATE OF NOTARY PUBLIC

I, Caroline T. Hofeld, the Officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me in shorthand and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

CAROLINE HOFELD,
Notary Public in and for the State of California.

HOTEL EMPLOYEES & RESTAURANT EMPLOYEES INTERNATIONAL UNION

(Executive Session)

WEDNESDAY, MARCH 9, 1983

(Executive Session "Unsealed" by vote of the Subcommittee, April 27, 1983)

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 9:30 a.m., in room S.D. 342, Dirksen Senate Office Building, under authority of Senate Resolution 76, dated March 2, 1983, Hon. William V. Roth, Jr. (chairman of the subcommittee) presiding.

Member of the subcommittee present: Senator William V. Roth, Jr., Republican, Delaware.

Members of the professional staff present: S. Cass Weiland, chief counsel; Eleanore J. Hill, chief counsel to the minority; Katherine Bidden, chief clerk; Howard L. Shapiro, Barbara Jeanne Cart, and Tom Karol, staff counsels; Dave Faulkner, staff investigator; John Sopko and Terrance Bostic, assistant counsels to the minority; Fred Asselin and Leonard Willis, minority staff investigators, and Mary Robertson, assistant chief clerk to the minority.

[Senator present at the commencement of the hearing was: Senator Roth.]

Chairman ROTH. The subcommittee will please be in order.

We have our first witness, Mr. Schiffman.

Under the rule of the subcommittee, every witness is sworn. So will you please stand and raise your right hand?

Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SCHIFFMAN. I do.

TESTIMONY OF HERBERT "PINKY" SCHIFFMAN; ACCOMPANIED BY ANTHONY CARDINALE, ESQ., COUNSEL FOR MR. SCHIFFMAN

Chairman ROTH. Please be seated. I would ask the attorney to please identify himself.

Mr. CARDINALE. Yes, sir. For the record, my name is Anthony M. Cardinale, I practice law at 11 Beacon Street, Boston, Massachusetts.

Chairman ROTH. At this stage I will turn over the questioning to our staff director, Mr. Weiland.

Mr. WEILAND. Mr. Schiffman, you are here of course, pursuant to subpena which was continued from last September.

As you know, the subcommittee has several questions it wants to ask you about your association with the Hotel and Restaurant Workers Union. It is my purpose this morning to begin with some general questions and to move to some more specific ones.

Let me ask you first, would you please give us your address and identify where you actually maintain residences besides what I understand is San Diego and perhaps Palm Springs.

Mr. SCHIFFMAN. Where other than those two places?

Mr. WEILAND. Give us your street addresses in those two places?

Mr. SCHIFFMAN. In those two places. Yes. In San Diego, it is 7707 Mission Grove Road, San Diego and Palm Springs is 2553–A White Water Club Drive, Palm Springs.

Mr. WEILAND. Do you have any other properties in which you reside?
Mr. SCHIFFMAN. No.
Mr. WEILAND. Are you married, sir?
Mr. SCHIFFMAN. Yes, sir.
Mr. WEILAND. Children?
Mr. SCHIFFMAN. Yes.
Mr. WEILAND. Does your wife live with you in San Diego or Palm Springs?
Mr. SCHIFFMAN. She lives with me in Palm Springs, yes, Palm Springs.
Mr. WEILAND. Do you commmute between Palm Springs and San Diego?
Mr. SCHIFFMAN. Yes.
Mr. WEILAND. Have you been convicted of any crimes, Mr. Schiffman?
Mr. SCHIFFMAN. Of what?
Mr. WEILAND. Have you been convicted of any crimes?
Mr. SCHIFFMAN. Misdemeanor.
Mr. WEILAND. Was that in Atlanta?
Mr. SCHIFFMAN. Yes.
Mr. WEILAND. What year was that?
Mr. SHIFFMAN. I think it was 1976. I am not sure. It was probation. It is all over.
Mr. WEILAND. You are a vice-president of the International Union. Is that right?
Mr. SCHIFFMAN. Yes.
Mr. WEILAND. For how long have you held that position?
Mr. SCHIFFMAN. Since 1973.
Mr. WEILAND. Were you elected or appointed?
Mr. SCHIFFMAN. Elected.
Mr. WEIILAND. How many times have you been elected since 1973?
Mr. SCHIFFMAN. To my best recollection, I would say twice.
Mr. WEILAND. Edward Hanley is the president of the International, of course. How long have you known Mr. Hanley?
Mr. SCHIFFMAN. I have known him about over 20 years, somewhere in there.
Mr. WEILAND. Have you seen him frequently?
Mr. SCHIFFMAN. I most respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.
Mr. WEILAND. Does Ed Hanley have a residence in Palm Springs also?
Mr. SCHIFFMAN. I most respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.
Mr. WEILAND. Mr. Schiffman, I want to place into the hearing record copies of your Resolutions, passed by the International, and contracts which accompanied those Resolutions, which appear to authorize a lifetime guaranteed salary for Ed Hanley, John Gibson, Herman Leavitt and John Kenneally. Are your familiar with those particular documents?
Mr. SCHIFFMAN. I most respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.
Mr. WEILAND. What is your salary, Mr. Leavitt, from first the International?
Mr. CARDINALE. I think you mean Mr. Schiffman.
Mr. WEILAND. Excuse me. Mr. Schiffman.
Mr. SCHIFFMAN. I most respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.
Mr. WEILAND. Mr. Cardinale, is not that a matter of public record?
Mr. CARDINALE. Yes. It is. I would indicate that answer should be withdrawn and I would instruct my client to answer that question to the best of his ability at this time.
Mr. SCHIFFMAN. My salary is about $100,000 a year.
Mr. WEILAND. Is that just from the International?
Mr. SCHIFFMAN. No, both.
Mr. WEILAND. From the International and from Local 30 in San Diego, approximately a total of $100,000?
Mr. SCHIFFMAN. Around that.
Mr. WEILAND. Do you have any other sources of income?

Mr. SCHIFFMAN. I must respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.

Mr. WEILAND. Mr. Schiffman, last week we had testimony that indicated that Mr. Hanley was put into his position in the Hotel Workers Union by a Mr. Joey Aiuppa in Chicago. Would you care to comment on that?

Mr. SCHIFFMAN. I must respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.

Mr. WEILAND. Does the International own a condominium here in Washington, Mr. Schiffman?

Mr. SCHIFFMAN. Same answer.

Mr. WEILAND. Do you know whether the International recently purchased a condominium for $330,000?

Mr. SCHIFFMAN. I most respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.

Mr. WEILAND. Turning to the situation in San Diego, how many collective bargaining agreements have you negotiated for the Local there since you have been associated with them?

Mr. SCHIFFMAN. Same answer.

Mr. WEILAND. Can you tell us what the current membership level of Local 30 is, to the best of your knowledge?

I will suggest that that is a matter of public notice also.

Mr. SCHIFFMAN. Yes. I think two months ago it is the highest that has ever been, 5300, about two months ago.

Mr. WEILAND. Since you have been there, has there ever been a practice to report inflated membership figures to the International?

Mr. SCHIFFMAN. I must respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.

Mr. WEILAND. Marco LiMandri was recently elected Secretary-Treasurer of Local 30. Is that right, Mr. Schiffman?

Mr. SCHIFFMAN. Yes.

Mr. WEILAND. It is true that the International, I am speaking primarily of Ed Hanley, intended to put the Local into trusteeship if he did not win that election?

Mr. SCHIFFMAN. I most respectfully decline to answer that question and invoke my rights and priveleges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.

Mr. WEILAND. Since you have been associated with Local 30, can you tell us whether bids have ever been solicited for automobile leasing, contracting or building insurance, that sort of thing?

Mr. SCHIFFMAN. Same answer.

Mr. WEILAND. Can you tell us why Mr. LiMandri refused to speak to the subcommittee investigators in San Diego?

Mr. SCHIFFMAN. I most respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.

Mr. WEILAND. Did you personally tell Mr. LiMandri or any employees of Local 30 not to speak to the Senate investigators?

Mr. SCHIFFMAN. I most respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.

Mr. WEILAND. Mr. Schiffman, do you know an attorney in Chicago and Los Angeles by the name of Sidney Korshak?

Mr. SCHIFFMAN. Same answer.

Mr. WEILAND. Mr. Schiffman, our study indicates that the Hotel Workers have spent approximately $20 million in organizing expenses over the last ten years roughly, and yet their membership figures indicate a loss of approximately 75,000 members. Can you explain that to us in any way?

Mr. SCHIFFMAN. Same answer.

Mr. WEILAND. Do you know a man by the name of Joe Hauser?

Mr. SCHIFFMAN. I most respectfully decline to answer that question and invoke my rights and privileges guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.

Mr. WEILAND. Have you ever received any money from Mr. Hauser, or anything of value?

Mr. SCHIFFMAN. I most respectfully decline to answer that question and invoke my rights and privileges as guaranteed by the Fourth and Fifth Amendments to the Constitution of the United States.

Mr. WEILAND. One area that the subcommittee has been very interested in, Mr. Schiffman, has been the effort on the part of Mr. Hanley and others to merge the pension and health and welfare funds of locals into the International. Have you had discussions with Mr Hanley about his intention to do that?

Mr. SCHIFFMAN. Same answer.

Mr. WEILAND. Have you discussed that with Mr. Herman "Blackie" Leavitt?

Mr SCHIFFMAN. Same answer.

Mr. WEILAND. John Gibson, who used to be a vice president of the International, was convicted of a crime and sentenced to jail. I understand that he may still be receiving payments pursuant to this guaranteed lifetime contract from the Internatonal. Is that your understanding?

Mr. SCHIFFMAN. Same answer.

Mr. WEILAND. I have nothing further, Mr. Chairman.

Chairman ROTH. The Chair is disappointed that you do not see fit to answer these questions. The Subcommittee intends to procure this information. We respect your right to use the Constitutional privileges but we regret that you did not answer.

The witness is excused.

Mr. CARDINALE. Thank you.

Chairman ROTH. At this time we call Ralph Natale.

Mr. WEILAND. Mr. Chairman, while we are waiting, I would like to put on the record the fact that we have tried or we had tried to determine Mr. Schiffman's intentions prior to his appearing. It was only this morning that we were advised that he intended to invoke the Fifth Amendment.

Chairman ROTH. If you would remain standing, as all witnesses must be sworn.

Please raise your right hand. Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. NATALE. I do.

Chairman ROTH. Please be seated.

TESTIMONY OF RALPH NATALE; ACCOMPANIED BY GLENN A. ZEITZ, ESQ., COUNSEL FOR MR. NATALE

Chairman ROTH. I would ask at this time, the attorney to identify himself.

Mr. ZEITZ. Good morning, Mr. Chairman. My name is Glenn Zeitz, an attorney admitted to the bar in the state of Pennsylvania and the state of New Jersey. I represent Mr. Natale.

Chairman ROTH. Thank you.

Mr. Natale, as you know, this subcommittee is currently involved in an investigation of the Hotel Employees and Restaurant Employment International Union. Past investigations into labor unions have shown that union benefit funds are particularly susceptible to racketeering influences. For this reason, the subcommittee is particularly interested in information regarding the Hotel Worker's Union Health and Welfare Trust Funds established at both the local and international level.

In February of this year, this subcommittee also held extensive hearings into organized criminal activity in the mid-Atlantic states, particularly the Philadelphia area. Those hearings dealt with union racketeering and drug trafficking among other things. These hearings serve as an important basis for legislative reforms such as amendments to the Taft-Hartley Law and new drug trafficking statutes.

Pursuant to Senate Resolution 333 of the last Congress, and the new resolution the Senate is about to enact in this Congress, this subcommittee is empowered to investigate these areas. We have provided your counsel with some materials relevant to your appearance. I would make that letter a part of this record.

Chairman ROTH. Before we begin to question you on this and other topics, Mr. Natale, I want you to know that the subcommittee has obtained an immunity order. The first time that you invoke the Fifth Amendment privilege, I will present that order.

Mr. Natale, were you a trustee of the Local 170——

Mr. ZEITZ. Excuse me. May I briefly make a statement on the record?

I spoke to Mr. Shapiro beforehand and he indicated to me that if we wanted to make a very brief statement, we could have that opportunity, I believe with regard to the fact that this is a closed session and I have spoken to my client.

We both found out for the first time this morning that this would be a closed session. My client has instructed me to advise you that his preference has always been that any questions that are put to him be done in a public and open forum. There is absolutely nothing to hide and quite frankly, sir, we would prefer a public type of forum if he has to respond to questions.

Notwithstanding the fact this is a closed session, I have advised the counsel that my client will assert his Fifth Amendment privilege to all questions. I have been given this immunity order and I have been told that there has been a resolution in the past extending the committee's time period for an additional period of one year. I am advising my client of that. I would just like to indicate, for the record at least, that my client would prefer an open type session and that he does not want this session to be closed and certainly has no choice, since he has been compelled to be here.

Chairman ROTH. I would point out to your client, Mr. Natale, whether or not we are in Executive Session is a policy question for the subcommittee and not for the witness.

Mr. ZEITZ. He recognizes that, sir. It is just his feeling and as an attorney I have a duty to my client to at least advise the committee that he would like to have the opportunity to respond to questions in a public and open forum.

Chairman ROTH. I would point out he was before the subcommittee in June, that that was an open hearing at which time he chose on a number of questions to take the Fifth. So he did have the opportunity.

Mr. ZEITZ. He did not take the Fifth on any questions. There were a select number of questions where on the advice of counsel he did not answer but did not take the Fifth on any questions.

Mr. WEILAND. He refused to answer several questions. Let me just say, Mr. Zeitz, that the Senate rules provide for closed sessions in several instances, one of which is when the members feel that the testimony of a witness might tend to invade the privacy of a third party or somehow infringe upon their own personal rights and it is our intention to proceed in a closed session this morning because we have very detailed and extensive questions for Mr. Natale.

Mr. ZEITZ. May I propose one question? If the basis for the closed hearing is in the alternative, either third party's rights or perhaps because of Mr. Natale's safety, Mr. Natale is not concerned with his safety. Let's make that totally clear. If that is the consideration of this committee, that is why this session may be closed, then I can indicate to you that that is not a concern of Mr. Natale.

If it is some third party's rights then I guess there is nothing I can do about that, but with regard to the latter that I can represent that that should not be a concern of this committee.

Mr. WEILAND. Thank you. We will proceed then.

Chairman ROTH. Mr. Natale, were you a trustee of the Local 170 Health and Welfare Trust Fund?

Mr. NATALE. Yes, I was.

Mr. ZEITZ. We do have an understanding that he is now testifying pursuant to the grant of immunity.

Mr. WEILAND. Procedurally he should invoke the Fifth Amendment. At that point we will present the immunity order for the record.

Mr. NATALE. I take the Fifth Amendment.

Chairman ROTH. What years did you serve as a trustee?

Mr. NATALE. I take the Fifth on that.

Chairman ROTH. At this stage I would like to put in the record a copy of the order of the United States District Court for the District of Columbia which gives the witness immunity except for the limitations contained in the order.

Chairman ROTH. I will go back and ask you the first question.

Were you a trustee of the Local 170 Health and Welfare Trust Fund?

Mr. ZEITZ. Would the record now reflect that any questions are being answered pursuant to the immunity order?

Mr. WEILAND. Yes.

Mr. NATALE. Senator, I will answer the question. I would like to ask you one question. Will this hearing be printed in the manner that the other hearings were in the booklet form that we were handed?

Mr. WEILAND. No. It won't.

Mr. ZEITZ. It is stenographically reported. Will Mr. Natale have an opportunity to obtain a copy of this transcript?

Mr. WEILAND. Yes. He will.

Mr. ZEITZ. We would like to have a copy.

Mr. WEILAND. We will see to that.

Can you answer the question?

Chairman ROTH. Please answer the question.

Mr. NATALE. Would you repeat that, Senator?

Chairman ROTH. Yes.

Were you a trustee of the Local 170 Health and Welfare Trust Fund?

Mr. NATALE. Yes, I was.

Chairman ROTH. What years did you serve as a trustee?

Mr. NATALE. This is '83—'78, '77, '76. I am not too sure.

Chairman ROTH. What is the best of your recollection?

Mr. NATALE. I would say '72 to '78.

Chairman ROTH. When was the Local 170 Health and Welfare Trust Fund originally established?

Mr. NATALE. The original trust fund or the one where I was the trustee?

Chairman ROTH. Yes. What was the original trust fund, which was it established, Local 170?

Mr. NATALE. Prior to my going into office, it was 15 years prior to that.

Chairman ROTH. It was what?

Mr. NATALE. Fifteen years prior to me going into office.

Chairman ROTH. How many trustees were on the Fund?

Mr. NATALE. That is a technical question. I think it was six. I am not sure about it, Senator. I am not trying to evade that. I am just not that sure about how many trustees we had. It was three from the management side and I think three from the labor side.

Chairman ROTH. Mr. Natale, it is our understanding that Local 170——

Mr. ZEITZ. Excuse me. May I make a request? I am very naive when it comes to these types of hearings in Washington quite frankly. I have been reading the rules here. I just have a question as to whether or not we have a quorum here. I note it appears you are the only member of the subcommittee that is here right now. I just read from paragraph 5, maybe I misinterpret this, it says for public or Executive sessions any two members of the subcommittee shall constitute a quorum for the administering of oaths and it goes on.

It would seem you are the only member that is here. I have a question procedurally whether or not there is any problem in that area?

Mr. WEILAND. Pursuant to Rule 5 that quorum rule can be waived and the Ranking Minority Member, Senator Nunn, and Senator Roth have approved of the subcommittee proceeding with one member present. I would ask the chief clerk to show you a copy of this particular document and incorporate that into the record.

Chairman ROTH. Mr. Natale, it is our understanding that Local 170 had a hospitalization plan, a severance pay plan and a dental plan. Is that correct?

Mr. NATALE. Yes.

Chairman ROTH. Were any of these plans administered through the Health and Welfare Trust Fund? If so, which ones?

Mr. NATALE. The dental plan would be, and the severance pension plan. We installed a Blue Cross-Blue Shield plan to cover our people for their hospital bills as well.

Chairman ROTH. In your previous appearance before this subcommittee you stated that Larry Smith was a trust administrator for Local 170's health and welfare trust fund. You also indicated that Larry Smith acted as a consultant for Local 170's dental plan. Is that correct?

Mr. NATALE. Yes.

Chairman ROTH. Isn't it true that Larry Smith was the plan administrator for Local 170's severance pay plan?

Mr. NATALE. The what, administrator?

Chairman ROTH. The plan administrator.

Mr. NATALE. Technically I don't know. He was the administrator. I don't know if we called him a plan administrator or whatever. He was our consultant and whatever the lawyers—we had all these titles checked out with our lawyers.

Whatever they gave him the title of we were sure legally it was okay. I am not sure if that was his exact title at that time.

Chairman ROTH. I will ask Mr. Weiland to continue the questioning.

Mr. WEILAND. Do you know if Larry Smith's computers worked for the local, Local 170?

Mr. NATALE. Computer work? He used his computers.

Mr. WEILAND. He was paid for that by the local?

Mr. NATALE. Apparently. I don't know. We paid him to be an administrative consultant. If he included that in there I am not sure.

Mr. WEILAND. Did Larry Smith receive a fee as administrator for the local's health and welfare trust plan, Mr. Natale?

Mr. NATALE. When you say fee I am not sure, fee, salary or whatever the plan paid. I don't know if they call it a fee. It is all in the bylaws and history of that health and welfare plan.

Mr. WEILAND. Do you have any recollection at all of the approximate amounts paid to Larry Smith?

Mr. NATALE. None whatsoever. Not now.

Mr. WEILAND. You were the Secretary-Treasurer of the local. Is that right?

Mr. NATALE. Of Local 170.

Mr. WEILAND. From approximately 1970 to 1979?

Mr. NATALE. Approximately.

Mr. WEILAND. Why did you change the hospitalization insurance coverage?

Mr. NATALE. Why?

Mr. WEILAND. Yes.

Mr. NATALE. When I took office the members were covered up to $12 to $15 per day. It was for an insurance plan, I think it was for life insurance or some sort of insurance plan. I automatically put them into the Blue Cross-Blue Shield and major medical. Being an ex-bartender, waiter, and bus boy, which I started in this business. I knew what it was to go into the hospital and not being covered by full plans like similar plans of the Teamsters and whatever. That is the reason. As you know the Blue Cross plan, there is no commission fee, there is nothing. We put the entire local, I actually ran on that promise when I first ran for election.

Mr. WEILAND. The dental plan was administered by North American Dental?

Mr. NATALE. Yes.

Mr. WEILAND. The severance pay plan was viewed as being separate from the health and welfare fund. Is that right?

Mr. NATALE. I am not positive. I am not sure what you mean by separate when you say.

Mr. WEILAND. Was Larry Smith the administrator of Local's 170 health and welfare fund?

Mr. NATALE. Administrator? I am not positive of what his title was when you say administrator of that plan.

Mr. WEILAND. Do you know if he received any payment in connection with the severance pay plan at all?

Mr. NATALE. I really don't know.

Mr. WEILAND. Do you know Joseph Cusumano?

Mr. NATALE. I have met Joseph Cusumano.

Mr. WEILAND. When did you first meet him?

Mr. NATALE. When we were first thinking about installing the dental plan, different restaurants or hotels.

Mr. WEILAND. What year to the best of your recollection?

Mr. NATALE. To the best of my recollection? '75? I am just taking a wild guess. 1975, I am taking a guess here.

Mr. WEILAND. Did Cusumano ever talk to you about how much North American Dental was paying Larry Smith?

Mr. NATALE. No.

Mr. WEILAND. Do you have any idea how much Larry Smith was making from North American Dental?

Mr. NATALE. No. I don't.

Mr. WEILAND. Were you ever involved in negotiations for the Local 170 dental benefits?

Mr. NATALIE. Negotiations? Yes.

Mr. WEILAND. Once they were adopted were the benefits applicable to all members of Local 170?

Mr. NATALE. Only in the houses that we were negotiating contracts for. As the contracts, each house, let me say a contract for this month, another contract might expire three months from now, it wasn't one jacket, like I say the Teamsters have you know, on January 2nd. Each different restaurant and hotel had a different expiration.

Mr. WEILAND. How about the members' families. Were they covered?

Mr. NATALE. In some places. To the best of my recollection in some places we tried to cover the entire family. I am not sure. It was a small dental plan at that time.

Mr. WEILAND. It would depend on individual contracts with the houses?

Mr. NATALE. Correct,

Mr. WEILAND. So over time there were gradually more and more people who came to be covered as the contracts expired. Is that right?

Mr. NATALE. We had a small percentage when I was in the local at that time. We just had it installed, very small percentage of the people.

Mr. WEILAND. How many members were covered say in 1979 when you terminated?

Mr. NATALE. I really don't know.

Mr. WEILAND. You have no idea?

Mr. NATALE. '79? You say '79?

Mr. WEILAND. '79.

Mr. NATALE. '79. I was incarcerated at that time.

Mr. WEILAND. Pardon?

Mr. NATALE. I was incarcerated at that time.

Mr. WEILAND. How about '78?

Mr. NATALE. It is a very small percentage, maybe 150 people. To the best of my recollection, I am not trying to evade it.

Mr. WEILAND. I am just asking for your best recollection. How many members were there in Local 170 then in 1979?

Mr. NATALE. Approximately I would say 1500, maybe 1350.

Mr. WEILAND. Was Larry Smith involved in the negotiations for that dental plan coverage as the new contracts became due?

Mr. NATALE. Not really. We used, I used him as a question type, any questions on it, whatever. We did our own negotiating, the agents went into the different contract houses.

Mr. WEILAND. Who made the decision to hire North American Dental?

Mr. NATALE. We presented it before an Executive Board of Local 170.

Mr. WEILAND. You say "we" presented it. That would be you and who?

Mr. NATALE. It would be me, it might be another agent. I am not sure who did it at that time. I know meetings, we would have records of this area. It would have to be passed by our Executive Board.

Mr. WEILAND. You were involved in bringing North American Dental to the Executive Board for their approval?

Mr. NATALE. I imagine I started everything new in Local 170.

Mr. WEILAND. Did you become associated with, or acquainted with, I should say, North American Dental?

Mr. ZEITZ. What do you mean by acquainted with?

Mr. WEILAND. You brought this company to the Executive Board. How did you learn of the company? For what reason did you recommend them to the Executive Board?

Mr. NATALE. Different—I imagine through different labor leaders, I inquired who had dental plans out in the market. Actually at that time, if we did a dental plan in one of our restaurants or hotels, you know in the restaurant industry, in the hotel industry we cannot go for the Cadillac of the industry at that time let's say dental plan because an owner has so much to work with profit. We were trying to install pension plans, dental plans and we hit them with a tremendous Blue Cross. To keep the plan in business we had to see both sides of the coin.

I didn't want a super-duper, you know, plan. I asked for something that was fair, when we started, something that was applicable to our industry. Somebody suggested North American Dental.

Mr. WEILAND. Did Angelo Bruno suggest North American Dental?

Mr. NATALE. No, sir. I said definitely.

Mr. WEILAND. Did North American Dental have a contract with the trust fund or with the individual houses?

Mr. NATALE. I don't know and I don't remember the contract, whether it was with the trust fund. I would have to say to the best of my recollection it was with each individual house because we had to negotiate each individual contract.

Mr. WEILAND. Did Larry Smith recommend North American Dental to you?

Mr. NATALE. No.

Mr. WEILAND. You are sure of that?

Mr. NATALE. To the best of my recollection. I am trying to figure out who somebody at a labor meeting, somewhere, somewhere along the line. To the best of my recollection, Mr. Weiland. I has been quite a few years. I have been in jail now four and a half years. These little things I can't possibly remember everything, who suggested this, who.

Mr. WEILAND. Mr. Smith was working for North American Dental at the time that the local adopted its services. Right?

Mr. NATALE. Yes.

Mr. WEILAND. You knew that? You had known Mr. Smith for some time?

Mr. ZEITZ. What do you mean by some time?

Mr. NATALE. Ten years from now, 1970, you know. I wasn't that closely acquainted with him. But if he drinks once in a while.

Mr. WEILAND. Do you know whether Smith knew an Angelo Bruno?

Mr. NATALE. I don't think he knew him.

Mr. WEILAND. You have testified that you had meetings, periodic meetings with Mr. Bruno?

Mr. NATALE. Not meetings. I never had a meeting with him. I had lunch with him. We had dinner. We went out socially, his wife and my wife. I was born and raised in his neighborhood.

Mr. WEILAND. Was Larry Smith ever present at any of these lunches or dinners?

Mr. NATALE. Never.

Mr. WEILAND. The three of you were never together?

Mr. NATALE. Never, contrary to what Charley Allen says.

Mr. WEILAND. Just for a point of clarification, Mr. Natale, at the time that the services of North American Dental were retained by the local and you knew that Larry Smith was involved with North American. Is that right?

Mr. ZEITZ. When you use the term "involved" what do you mean by that term?

Mr. WEILAND. Did he have a relationship with North American Dental? I believe you said you did know that.

Mr. NATALE. I said this here. You are talking six, seven years ago. The exact how and why, we got this North American Dental, if he had an association with them, whatever, I wasn't positive. I don't know if I reached out to North American through another labor leader, through Larry Smith who I knew. I am not exactly sure. Things are a little fuzzy.

Chairman ROTH. Did you know whether or not he was associated in any way with the insurance company?

Mr. NATALE. With North American at the time he came in? I think I did.

Chairman ROTH. You think you did?

Mr. NATALE. Yes.

Chairman ROTH. That is your best recollection?

Mr. NATALE. Yes.

Chairman ROTH. What did you think that relationship was?

Mr. NATALE. As a salesman, as a consultant.

Chairman ROTH. That he at that time was acting as a salesman or consultant for North American?

Mr. NATALE. Of North American.

Mr. WEILAND. Did Larry Smith ever give you any money in connection with the dental plan at Local 170?

Mr. NATALE. No, sir.

Mr. WEILAND. A Federal grand jury recently has made such an accusation, indicted Larry Smith. You are aware of that?

Mr. ZEITZ. The Federal grand jury also made a certain indictment of Mr. Al Diadone who was just acquitted by Judge Lord in the Eastern District of Philadelphia.

Mr. WEILAND. We are talking about Larry Smith now. You deny that you ever received any money from Smith?

Mr. NATALE. Yes.

Mr. WEILAND. My first question had to do with Local 170 and this dental plan. Do you deny that you received money from Smith in any other connection?

Mr. NATALE. I certainly do.

Chairman ROTH. Did you receive any kind of benefit other than money?

Mr. NATALE. Nothing at all.

Mr. WEILAND. The same indictment alleges that Mr. Smith paid Angelo Bruno directly or indirectly. Do you know whether he did?

Mr. NATALE. Do I know? I don't know what Larry Smith—I don't think he did.

Mr. WEILAND. Do you know Dr. William DeFeo?

Mr. NATALE. Yes, I do.

Mr. WEILAND. How long have you known him?

Mr. NATALE. A few years.

Mr. WEILAND. Five years, 10 years?

Mr. NATALE. Maybe 8, 9 years.

Mr. WEILAND. Are you a friend of his?

Mr. NATALE. Not a friend, an acquaintance.

Mr. WEILAND. How about business partners?

Mr. NATALE. Business partner? We tried to, at one time, open a teen-aged disco in Ocean City. It flopped. That was our business venture together.

Mr. WEILAND. Were there any other partners in that disco, by the way?

Mr. ZEITZ. Objection.

What bearing does that have on what this committee is investigating? Is this committee investigating discos down on the Jersey shore?

Mr. WEILAND. Mr. Zeitz, we are investigating a lot of things having to do with criminal activity in the mid-Atlantic states, Hotel and Restaurant Workers Union, Narcotics Trafficking, a wide range of things.

Mr. ZEITZ. That is true, but we also got a letter which was sent to Mr. Natale in the very beginning, back on January 19, 1982, from this committee, and in that letter very specifically articulated the areas of interest to this committee.

I am referring to the January 19, 1982, letter which was sent by Michael Eberhardt to Mr. Natale when he was in Lewisberg.

Chairman ROTH. This subcommittee will determine what the line of questioning is.

Mr. ZEITZ. I respect that, sir, but I am also mindful of what the committee rules provide with regard to the areas that the committee is empowered to investigate. I submit to you, Mr. Chairman, it is no different than what I argued last time when Senator Nunn was questioning Mr. Natale about the Hoffa matter, that there should be certain areas at least that we have a right to object to on grounds of relevance.

Chairman ROTH. The committee will determine what is appropriate questioning and I direct the witness to answer the question.

Mr. ZEITZ. I would like to have an offer of proof as to how it has any bearing on what this committee is investigating.

Mr. WEILAND. Is he going to refuse to answer? He has been directed to answer. We are not going to go through a lengthy proffer on every question.

Mr. ZEITZ. No lengthy proffer, it seems to me like a star chamber on whether the chairman makes a ruling on whether the question of the committee is relevant or not.

Mr. WEILAND. We will make that determination. We have broad authority to investigate. It so happens that Dr. DeFeo is still associated with Local 54, which is an obvious concern of this subcommittee.

Mr. ZEITZ. How does the question concerning whether or not there was a disco that was investigated at some point in time have any bearing on the area this subcommittee is supposed to be investigating?

Mr. WEILAND. Are you going to direct your client to answer?

Mr. ZEITZ. We are going to do it on a question-by-question basis.

What was the question again?

Mr. WEILAND. Were there any other partners in this disco with Dr. DeFeo and Mr. Natale?

Mr. ZEITZ. If you recall.

Mr. NATALE. To the best of my recollection, I think at the time the fellow who was supposed to run it and take care of it, some sort of partnership, I am not that sure, sir. His name was Tony Viesti.

Mr. WEILAND. Did you have discussions with Dr. DeFeo about his becoming a dental provider for either Local 170 or Local 54?

Mr. NATALE. Could you repeat that, sir?

Mr. WEILAND. Did you have discussions with Dr. DeFeo about his becoming a dental provider for either Local 170 or Local 54?

Mr. NATALE. Yes. I did.

Mr. WEILAND. When were those discussions initiated, roughly?

Mr. NATALE. In time—I couldn't tell you when in time roughly.

Mr. WEILAND. Was that——

Mr. NATALE. I cannot say. It was the beginning of our dental plan, I was actually shopping around, who could do what, who could do the most for the least because of the employers that I was negotiating with didn't have that much to contribute to our plan, to at least install the Blue Cross Plan and the severance plan.

Mr. WEILAND. So you approached Dr. DeFeo to query him as to his availability?

Mr. NATALE. I did.

Mr. WEILAND. Did he ultimately get a contract to be a dental provider?

Mr. NATALE. Contract? I am not sure if we ever signed a contract.

Mr. WEILAND. Was there an agreement that he would——

Mr. NATALE. If I can answer it, sir, he was providing, I think, dental service to the Local on the shore, which is Local 54 now.

I had asked him exactly what he would do for us at that time.

I think at the same time, I was negotiating with North American.

Mr. WEILAND. Did there come a time where you asked Dr. DeFeo to withdraw as the provider for Local 54?

Mr. NATALE. For Local 54?

Personally, I do not know what you mean by "withdraw".

Mr. WEILAND. Did you ask him to terminate his relationship as the dental provider in order for some other company or individual to take his place, to replace him?

Mr. NATALE. What I did, when I found out that North American could provide more benefits for the least amount of money, this is when I had asked DeFeo because I had promised him, I said, if I can get you these contracts, you know, you have to do it. This is a plan that we cannot afford too much for.

At that time we had a cheaper plan proposed by North American and I asked him at that time, I think I made a mistake, Dr. DeFeo.

I think your plan won't suit us and he graciously understood that.

Mr. WEILAND. Was anybody else present, Mr. Natale, when you had this discussion with Dr. DeFeo?

Mr. NATALE. To the best of my recollection, I do not think so. I spoke with DeFeo many times, with other people around. I am not sure if anyone was there. I am not positive.

Mr. WEILAND. He agreed to withdraw?

Mr. NATALE. Yes.

Mr. WEILAND. How much cheaper was the North American plan for the Union?

Mr. NATALE. I really don't know. Then there was, if I may, some sort of, at that time, when North American—we had anticipated putting North American in the contract. At that time there was some sort of legal, something barring them from operating in the State of New Jersey because they had to restructure their corporation, or whatever.

At that time it encouraged me to ask DeFeo, right now I am recalling these events as they come to me, when they had straightened it out, legally we had these things checked out. I had asked Dr. DeFeo to withdraw.

Mr. WEILAND. Have you ever received anything of value from Dr. DeFeo?

Mr. NATALE. No.

Mr. WEILAND. How about a loan?

Mr. NATALE. Never.

Mr. WEILAND. Has he ever loaned you money?

Mr. NATALE. No.

Mr. WEILAND. When you were last here, Mr. Natale, you indicated that you recommended Larry Smith to other union officials because you thought he did good work or whatever.

Mr. ZEITZ. I am going to object to that exact characterization. I think the testimony is pretty clear of what exactly he said. We have a little bit of a difficulty in semantics the last time we were here concerning that, as you recall.

Mr. WEILAND. Did you recomend Mr. Smith to Frank Gerace?

Mr. NATALE. Did I recommend Larry Smith to Frank Gerace? Yes. I did.
Mr. WEILAND. What time was that approximately?
Mr. NATALE. I imagine it was some time in 1976, 1977. To the best of my recollection, that is.
Mr. WEILAND. Did you introduce Smith to Gerace?
Mr. NATALE. Physically?
Mr. WEILAND. Yes.
Mr. NATALE. I am not sure. I don't recall if I made a call to him, went down there. I am not sure.
Mr. WEILAND. Do you know whether Larry Smith was able to do business with Local 54 after that introduction was made?
Mr. NATALE. I really don't know because I think right after that, it must have been 1978, unfortunately, I went away.
Mr. WEILAND. What was the date when you were first incarcerated, early 1979?
Mr. NATALE. Yes, early February.
Mr. WEILAND. Did you recommend Mr. Smith to Mr. Simone of the Paper Worker's Local 286?
Mr. NATALE. Mr. Weiland, as I answered you the last time, I don't remember the different names, the different people per se. All I can say is when a man needed a good administrator, consultant, various plans that he had to offer, I know he helped out an awful lot freely despite whatever has been said here, I don't know who said what, I am sure I did and I offered it to anybody who came to me, asked if I had a good consultant, I of course said it was Larry Smith. That is what was going for our Local. If you were able to go back in time, see the trouble that we had in our Local prior to me taking office there, you would understand. What he did for our Local, he cleaned all our problems up as far as heatlh and welfare. We started to install plans. That is why his name was around people.
Mr. WEILAND. Is Mr. Gerace the only individual you can recall recommending Mr. Smith to?
Mr. NATALE. At this time, to the best of my recollection, maybe three or four, but he is the only one I can recall. Because he was not my, he was in the Hotel and Restaurant officer and I was an International organizer at the time.
Mr. WEILAND. When you say that Mr. Smith cleaned up your problems, what do you mean? What did he actually do for you?
Mr. NATALE. We had used some computers, we needed our office staff, we had to have somebody install different procedures in there. It was necessary when I first took office there as far as the health and welfare end of our Local.
Mr. WEILAND. Mr. Natale, in August of 1979 the Bartender's Local 491 was severed from Local 54. You were incarcerated by that time. Are you familiar with that event?
Mr. NATALE. I am not familiar at all with that.
Mr. WEILAND. Have you ever heard why that split took place?
Mr. NATALE. I have no knowledge of anything why it took place.
Mr. WEILAND. Do you know a man by the name of Ernest Potts?
Mr. NATALE. Yes.
Mr. WEILAND. Ernie Potts? How long have you known Mr. Potts?
Mr. NATALE. Seven years, about seven years approximately.
Mr. WEILAND. Did you know him as a union officer and organizer?
Mr. NATALE. As an organizer, sent in by the International.
Mr. WEILAND. To Local 170 or to——
Mr. NATALE. 170, Local 54. He helped quite a few locals in the state of New Jersey and Philadelphia.
Mr. WEILAND. Did he have a relationship with Local 491?
Mr. NATALE. I do not know, not at that time.
Mr. WEILAND. You do not know?
Mr. NATALE. No. 491 came in to conception after I went away.
Mr. WEILAND. How about John McCullough? Did you know him?
Mr. NATALE. Yes.
Mr. WEILAND. Do you know whether he knew Angelo Bruno?
Mr. NATALE. I am not sure if he knew Angelo Bruno.
Mr. WEILAND. Is it fair to say that at least at one time McCullough controlled Local 491?
Mr. NATALE. I have no knowledge of that.
Mr. WEILAND. How about Raymond Martorano? Do you know him?
Mr. NATALE. Yes. I do.

Mr. WEILAND. How would you describe your relationship with Mr. Martorano?

Mr. ZEITZ. When? The reason why I ask that is Mr. Martorano, I think may be in jail now.

Mr. WEILAND. When did you first meet him?

Mr. ZEITZ. It depends on what point in time.

Mr. NATALE. As an acquaintance.

Mr. WEILAND. Since when?

Mr. NATALE. Maybe for ten years.

Mr. WEILAND. Is it true that as head of Local 170, you reported to Martorano?

Mr. NATALE. No.

Mr. WEILAND. Do you know Angelo Commito?

Mra. NATALE. No, not by that name, no.

Mr. WEILAND. Do you know who he is?

Mr. NATALE. I do not know.

Mr. ZEITZ. Does he have a nickname?

Mr. NATALE. It sounds funny, but I might know him by his nickname.

Mr. WEILAND. Not that I know of.

Do you know a lawyer named David Shapiro?

Mr. NATALE. I do not think so, sir.

Mr. WEILAND. Do you know whether Larry Smith has any brothers?

Mr. NATALE. I think he has a younger brother.

Mr. WEILAND. Do you think that younger brother's name might be David Shapiro?

Mr. NATALE. I could not even tell you that, sir.

Mr. WEILAND. Is it true that Larry Smith's name used to be Shapiro and it was changed?

Mr. NATALE. I do not even know, sir.

Mr. WEILAND. But to the best of your recollection, you never had any dealings with a lawyer named David Shapiro?

Mr. NATALE. No. I do not. I never did.

Mr. WEILAND. Our records show, Mr. Natale, that you worked as an International organizer from July 16, 1976 to February 7, 1979. I guess about that time you went to jail.

Mr. NATALE. Yes.

Mr. ZEITZ. He was arrested on the 9th.

Mr. WEILAND. Why did you resign as an organizer? Did you know you were going to be arrested?

Mr. NATALE. No. When did I resign?

Mr. WEILAND. February 7th.

Mr. NATALE. I think I was arrested on the 7th.

Mr. WEILAND. The same day.

Mr. NATALE. Yes.

Mr. WEILAND. What were your duties and responsibilities as an organizer?

Mr. NATALE. I do not want to go into a long thing. My duties were to, of course, organize the unorganized, then to give help to any local within my jurisdiction at that time or if my general president reported any other locals.

Mr. WEILAND. What was your jurisdiction?

Mr. NATALE. The south Jersey, north Jersey, Philadelphia, Delaware, Maryland.

Mr. WEILAND. Did you travel into other parts of the country pursuant to orders from the International?

Mr. NATALE. OK. When you say travel, yes, probably to different conventions and different areas.

Mr. WEILAND. Did you go, for example, to Florida or Georgia to actually assist in organizing efforts?

Mr. NATALE. No.

Mr. WEILAND. Or anywhere else in the country?

Mr. NATALE. No.

Mr. WEILAND. To whom did you report when you were an international organizer?

Mr. NATALE. The original, Ed Hanley is our general president but we had a man that was in charge of the organizational force there. I cannot remember his name. I think he has passed away since then. We wrote our reports in and the title was sent to him.

Mr. WEILAND. Did you fill out weekly activity reports?

Mr. NATALE. Yes.

Mr. WEILAND. How about financial reports? Did you file those with the International?

Mr. NATALE. They were filed with, monthly, every week and, of course, monthly and right after every union meeting.

Mr. WEILAND. How much were you paid on an annual basis for this, as an International organizer?

Mr. NATALE. Approximately, I would say, I said it the last time, I think we were paid for maybe $19,000 a year.

Mr. WEILAND. How about per diem? Did you get per diem?

Mr. NATALE. That was already included.

Mr. WEILAND. During this time when you were serving as international organizer did you try to organize the Resorts casino in Atlantic City?

Mr. NATALE. I never had anything to do with Resorts at all.

Mr. WEILAND. Do you know who was involved in that organizing activity on the part of the union?

Mr. NATALE. I imagine it was the people at the home local.

Mr. WEILAND. Who would that have been?

Mr. NATALE. I guess Gerace at the time, Jack Brown, Tommy Casey. They were the officers at that time, I think at that time. I had nothing to do with that.

Mr. WEILAND. Getting back to your remuneration as an international organizer, did you ever claim any expenses?

Mr. NATALE. We put that in with our weekly report.

Mr. WEILAND. Anything you claimed would be reflected on your weekly report?

Mr. NATALE. Everything was written down. Tax was paid on it. Everything was done.

Mr. WEILAND. Those were expenses that you actually incurred?

Mr. NATALE. Of course.

Mr. WEILAND. Do you have any recollection of how much expense money you claimed over this period of time?

Mr. NATALE. $19,000 a year, including the expenses and all. So it was no big expense then. It is all IRS has it, everything else.

Mr. WEILAND. There was a certification of election at resorts which the union lost. Is that right?

Mr. NATALE. Which union are you speaking of?

Mr. WEILAND. Hotel Workers.

Mr. NATALE. Hotel Workers to my best recollection never lost a certification. Maybe they did it when they tried for the dealers. I think, I read it in the newspaper, same thing I guess that Charley Allen told you, the same story, the old story about this election. I wish people would insert some truth serum and see what he is talking about. The guy is not factual, he is way off. He really is, sir.

Mr. WEILAND. As far as you know, then, there was no money paid by Resorts for insurance that the union would lose that election on the dealers?

Mr. NATALE. I don't know about those things. I had nothing to do with that.

Mr. WEILAND. Mr. Natale, it is clear I am sure that the subcommittee is attempting to determine as part of its investigation whether any union officials have benefitted in conjunction with various health and welfare plans entered into by locals. Let me ask you, at the previous hearing, my recollection is, your counsel can verify this, you established your income as approximately $30 to $35,000 at this time, late '78, say late 70's?

Mr. NATALE. Approximately. I imagine that is what it was.

Mr. WEILAND. It is my recollection that you testified that you owned a house in New Jersey?

Mr. NATALE. Yes.

Mr. WEILAND. And a house in Palm Springs?

Mr. NATALE. For a short time in Palm Springs.

Mr. WEILAND. During the past ten years, Mr. Natale, have you owned any other real estate?

Mr. NATALE. No.

Mr. WEILAND. Either in your name or someone else?

Mr. NATALE. Not that I can recall.

Mr. WEILAND. Did you ever own a house in Miami or property in Miami?

Mr. NATALE. No, sir.

Mr. WEILAND. Or anywhere in Florida?

Mr. NATALE. No, sir.

Mr. WEILAND. How about in Philadelphia? Did you ever own a house in Philadelphia?

Mr. ZEITZ. We need a moment to explain to him something. Being a nonlawyer I have to explain I think what I understand the thrust of the question to be.

Mr. WEILAND. Sure.

Mr. ZEITZ. Let me make sure I am interpreting it correctly. You are asking him whether or not he owned any property, real estate. Correct?

Mr. WEILAND. Correct.

Mr. ZEITZ. Whether or not he was titled in any real estate in Pennsylvania, in Philadelphia, in your name. Do you understand?

Maybe we can clarify it this way. His best recollection is that there is a mortgage that he may have signed on a property in Philadelphia. He is not sure. He can answer your question further, whether or not he was titled in the property, in other words whether or not he is the titled owner.

Mr. WEILAND. Would you explain that situation to the best of your understanding?

Mr. NATALE. I co-signed for a home in Philadelphia for another person.

Mr. WEILAND. Who is that person?

Mr. NATALE. Her name is Lynn Decker.

Mr. WEILAND. When did you do that?

Mr. NATALE. About five years ago approximately.

Mr. WEILAND. Has the note been paid off?

Mr. NATALE. No.

Mr. WEILAND. You are still liable on that note?

Mr. NATALE. I don't think so. I think that the deed is under her name. I am not familiar with the deed or mortgage. I helped her to get this home. We co-signed together.

Mr. ZEITZ. So he can clarify the answer, I think he is saying he can recall signing the mortgage but he doesn't have a specific recollection whether or not the property is titled in his name or her name.

Mr. NATALE. I didn't try to hide this. In other words, there was no hidden, nothing criminally. I didn't try to attempt to do anything wrong.

Mr. WEILAND. Is there any other property, Mr. Natale, that you have a similar situation with respect to to?

Mr. NATALE. No.

Mr. WEILAND. How about Malcolm Block? Do you own any property with Mr. Block?

Mr. NATALE. No. I don't.

Mr. WEILAND. You have testified that you do not own any property in Florida?

Mr. NATALE. Yes.

Chairman ROTH. When you say you own no property in Florida, does that mean you have no interest of any type in any property?

Mr. NATALE. None whatsoever, Senator.

Mr. WEILAND. Do you have any or have you had, Mr. Natale, interest in any companies with Mr. Block, Malcolm Block?

Mr. ZEITZ. When you say interest, what do you mean by interest? Is he a shareholder, director, just so he understands the question?

Mr. WEILAND. Any beneficial interest in the company, whether it be as a shareholder or joint venture, partner, whatever with Mr. Malcolm Block?

Mr. NATALE. To the best of my recollection at one time there was a group of businessmen and Malcolm was one of them that we sought to purchase some land and develop some homes on it in the South Jersey area. I am very fuzzy on the times, if my name was even on the thing. They had asked me to participate. I don't know if my name was put down as one of the directors or one of the owners. I know the thing failed miserably. I don't know what happened with the entire package anyway at this time.

Mr. WEILAND. What was the name of the company?

Mr. NATALE. I don't even recall that.

Mr. WEILAND. What is your best recollection of the time period?

Mr. NATALE. Maybe six, seven years ago.

Mr. WEILAND. From 1976 to 1979, Mr. Natale, did you have any other sources of income other than your union salary?

Mr. NATALE. No. None whatsover.

Mr. WEILAND. You didn't make any money from narcotics trafficking?

Mr. ZEITZ. Wait a minute. Wait a minute. First of all let me make sure that this committee is aware of Mr. Natale's present status with regard to his conviction in Florida. Are you aware of the fact that the conviction in that case has been appealed and there is a petition for certiorari which is pending before the Supreme Court. The reason why I mentioned that is I had an understanding which I believe was reduced to writing and I can dig it up if needed with somebody from this committee, one of the counsel of the committee advising us in essence that as long as there were or was a pending matter with regard to narcotics there wouldn't be any questions directed in that area.

At the time Mr. Natale appeared before the committee back, there were two matters pending, the matter of the Federal District Court in Camden and also the Federal matter in Florida. The matter in Florida is still not concluded. That is one petition for certiorari before the U.S. Supreme Court right now. The reason why I bring this to the committee's attention is I had a very clear understanding and if I have to I can dig up a letter that this would not be an area that he would be questioned on.

Mr. WEILAND. Let me ask this.

Mr. ZEITZ. I think out of fairness, he has responded to all of our questions so far and he has answered. I think fairness dictates at least the committee honor the commitment it made to us. I can dig the letter up.

Mr. WEILAND. Let me ask this. The matter in Camden, was that a drug conviction?

Mr. ZEITZ. The matter in Camden was an outgrowth and part and parcel of the conspiracy in Florida. The conspiracy that was alleged in Florida included among other things overt acts and offenses that occurred in the District of New Jersey.

The charges in Camden dealt with possession of CDS with intent to distribute, use of a telephone facility to facilitate the commission of the felony, namely distribution of CDS. The charges in Florida dealt with a conspiracy to distribute narcotics and drugs. That conspiracy in Florida was not realleged in New Jersey because the government took the position that the acts in New Jersey were part of that conspiracy. So my understanding with counsel, I have to find out who it was that wrote me the letter was that questions concerning narcotics, trafficking or that area would not be asked as long as there was something——

Mr. WEILAND. Any testimony he gives is immunized testimony, could not possibly be used against him in a further trial should that conviction be overturned.

Mr. ZEITZ. I understand that. But the only thing is the matter at least with respect to the understanding that we had with the committee that that should be honored. If you give me a moment, I will dig that letter out. I think it is pretty unfair to ask him a question in that area when the committee told us previously that they would be careful to stay away from that particular area.

Mr. WEILAND. Have you ever derived any income from arson, Mr. Natale?

Mr. NATALE. No, sir.

Mr. ZEITZ. I have the letter. Can I read it into the record or make reference to it, dated June 16, '82 from Charles Tiefer to me. In that letter he indicates that they are not going to ask him concerning the subject matter of the drug offenses. That as far as I am concerned should relate to this whole line.

Mr. WEILAND. As far as I am concerned that had to do with Camden and the fact he is immunized now should relieve any of his anxieties.

Mr. ZEITZ. It is not a question of anxiety. It is a question of fairness, whether you are going to play by the rules or set the rules as we come upon them. The way the rules are supposed to be set back in June of '82, the way we understood it, is there wasn't going to be questioning in the drug area. I don't see anything that has happened which should alter that understanding.

Mr. WEILAND. Let me ask the clerk to pick up that letter, please.

Let me point out for the record, Mr. Zeitz, that this letter has to do with the New Jersey indictment and at that time there had been no conviction and no appeal. We certainly are not violating any previous understanding with you by asking you at this late date whether he ever derived any money from narcotics trafficking.

Mr. ZEITZ. I had discussion with someone from this committee, I don't know if it was Mr. Tiefer, Mr. Shapiro or who it was. That was before Mr. Natale's appearance in June of last year. It was my understanding there wasn't going to be questioning in that particular area, not restricted simply to the Camden matter but also the Florida matter which is still on appeal. If Mr. Natale's

petition for certiorari is granted, if his conviction in Florida is overturned, he is going to be back to the same status that he was with regard to Camden with the indictment pending in that matter and not being convicted.

The case in Camden is nothing more than an outgrowth of the case in Florida. The case in Florida was a more substantial case than the case in Camden as evidenced by the fact he got 15 years in the Florida case and he received three years in the Camden case. We are more concerned about the Florida case than the New Jersey case. That case is still pending. There has not been a final judicial determination in that Florida case.

Mr. WEILAND. There is nothing in the letter, Mr. Zeitz, which would estop us from asking questions along these lines.

Mr. ZEITZ. No other than perhaps fairness.

Mr. WEILAND. There is no fairness issue here either. He has been convicted, it has been affirmed, he is getting immunized testimony that cannot be used against him later. Are you going to direct him to answer the question or not?

Mr. ZEITZ. I will note for the record an objection to the question. I am not going to direct him not to answer. I will allow him to answer it.

Mr. WEILAND. Okay.

Mr. NATALE. Yes.

Mr. WEILAND. The answer is yes?

Mr. NATALE. Yes.

Mr. WEILAND. Approximately how much money are we talking about?

Mr. NATALE. I don't even know.

Mr. WEILAND. You have no idea?

Mr. NATALE. No idea.

Mr. WEILAND. Let me return to an area of questioning last time, Mr. Natale, having to do with .22 automatic pistols. The Chairman asked you, this is from page 89, did you on or about October 2nd, 1978 ask Mr. Allen to get .22 automatic with a silencer, on October 5th, Mr. Allen said you needed five guns with silencers. He said "Mr. Natale told me they were for people downtown which I knew meant Angelo Bruno and his people."

Did you ask Mr. Allen to get guns for you either with or without silencers?

Mr. ZEITZ. Let me make the same objection I made to the last time, to the form of that question and to relevancy of that question and to the fact that goes totally outside of the scope of what we understand this hearing to be about. If you can tell me what bearing that has, that subject matter, has on this committee's investigation then perhaps I will advise him to answer it.

Mr. WEILAND. This committee, Mr. Zeitz, has had extensive hearings on organized criminal activity in the Atlantic City, Philadelphia, and Delaware areas, as recently as two weeks ago. I would submit to you that that is an extremely relevant question in view of the allegations that numerous gangland style murders have been committed with .22 pistols.

Mr. ZEITZ. First of all, I think the record is very clear that at the point in time when, if you want to use these terms, gangland killings commenced, Mr. Natale had long since been in jail. Any of the testimony that has been before this committee as far as I know, with regard to any homicides that were alleged to be related to organized crime activity would have occurred substantially after Mr. Natale's incarceration, at least a year or so. Mr. Natale was incarcerated at the beginning of 1979.

Mr. WEILAND. Your objection is noted, but the relevance——

Mr. ZEITZ. What is the relevance to the union?

Chairman ROTH. I would say to the attorney that the line of questioning is proper for this subcommittee, that I am instructing the witness to answer the question.

Please proceed.

Mr. ZEITZ. I want to note a specific objection.

Chairman ROTH. We all duly note your objection.

Mr. ZEITZ. I also want to object to the procedural way in which we are functioning for you to be both the questioner and also ruling on your own questions. If I was in a court of law, the judge asked the questions——

Chairman ROTH. I would say to the attorney that this is not a court, that this is a subcommittee of the Congress, duly authorized and we have noted your objections. I would again ask Mr. Weiland to repeat the question and I will instruct the witness to answer it.

Mr. ZEITZ. Before we take a final position on that, I would like to once again make reference to the letter of January 19, 1982, where Mr. Natale was advised concerning the scope of this committee's investigations with regard to him and the areas for questioning and it was outlined in four separate subparagraphs in that letter.

Mr. WEILAND. The question, Mr. Zeitz, is did Mr. Allen—Did Mr. Natale ask Charley Allen to get him a gun or guns, either with or without silencers.

Mr. ZEITZ. For what?

Mr. WEILAND. For any purpose.

Mr. ZEITZ. We are going to object to that question. Just because it is in the tape recording——

Chairman ROTH. I will repeat that I am instructing the witness to answer that question.

Mr. ZEITZ. On what theory is it relevant to——

Chairman ROTH. The Chair will decide what is relevant.

Mr. ZEITZ. Why cannot we at least be told what the area is?

Chairman ROTH. I duly noted your objection. You are not here to ask questions.

Mr. ZEITZ. I am here to represent a client.

Chairman ROTH. I am instructing the witness to answer the question.

Mr. ZEITZ. If you asked somebody a question, whether or not it is going to snow, he says I am not going to answer that, does that mean he is being in contempt of the committee?

Chairman ROTH. I will repeat. The question is appropriate and we are instructing the witness to answer the question.

Mr. ZEITZ. I would like to have some kind of an offer, if we could, as to how that is relevant to this subcommittee's authority under the rules.

Chairman ROTH. We have already discussed it. The Chair is not going to answer that question. We duly noted your objection.

Mr. WEILAND. Moreover, Mr. Zeitz, we have described the relevancy of the question. Are you going to have your witness, your client answer or not?

Mr. ZEITZ. How is Mr. Natale going to know anything about gangland killings if he is in jail in the entire time period? For four and a half years the man has been in jail.

Mr. WEILAND. Are you instructing him not to answer?

Mr. ZEITZ. I want to have a moment to talk to him.

Mr. WEILAND. All right, Mr. Zeitz.

Mr. ZEITZ. The only thing I would ask is this: we were before the subcommittee in June and we reached the same point we are at right now again. Chairman Roth at that time indicated, in response to the position that I took then, which I am not taking, that the purpose of the session is to show the influence, infiltration and relationship between organized crime and union 54. That was the purpose behind allegedly at that line of questioning. I, for the life of me, cannot see——

Mr. WEILAND. Mr. Zeitz, to lay a further predicate, one more time and we really do not have time to discuss these kind of issues all morning. But to lay a further predicate that the subcommittee is very interested in violent criminal activity in the Philadelphia, Atlantic City area, one theory is that this violence is somehow linked to control of various unions in that area. We are investigating one of those unions, as you know. We have also held extensive hearings on organized criminal activity in general in that area. That is our predicate for the relevance of the question and we would ask that it be answered. In fact, the Chairman has directed that he answer it.

Mr. ZEITZ. I think he wants the question repeated.

Mr. WEILAND. Mr. Natale, did you ask Charles Allen to get guns for you either with or without silencers?

Mr. NATALE. I have to answer that in two parts. He came to me about a month, approximately, apart, said he could get guns, silencers, whatever. And the second part of that answer is that I said yes, bring them to me.

Mr. WEILAND. Why did you ask him to do that? Why did you tell him to do that?

Mr. NATALE. Mr. Weiland, in my business, in the union business that I was in, it is a very funny business. I had maybe four or five times a year threats against me, from people that you would not even, I could not even tell you, a friend of an owner calls, just an anonymous phone call at the union hall, we are

going to do this to you, we are going to do that to you. This is why he used to come with these offers as you will see in further testimony, where he said, he has offered him things, that I said, yeah, yeah, yeah to him he scored maybe one out of a hundred of them. I said yes, Charley, bring them to me.

Mr. WEILAND. Did he ever do it?

Mr. NATALE. No.

Mr. WEILAND. Did you ever ask him to bring you a sawed off shotgun?

Mr. NATALE. Did I ask him to bring a sawed off shotgun? No.

Mr. WEILAND. Did you ever say to Charles——

Mr. NATALE. He offered to bring me one.

Mr. WEILAND. He did?

Mr. NATALE. Yes. He offered me to kill three or four people that he probably said that in there and they are still walking around. He has offered a lot.

Mr. WEILAND. Did you tell Allen that you might have use for a sawed off shotgun?

Mr. NATALE. To the best of my recollection, I think I did.

Mr. WEILAND. You did?

Mr. NATALE. Yes.

Mr. WEILAND. What was your intended use of that?

Mr. NATALE. Defend myself.

Mr. WEILAND. Against whom?

Mr. NATALE. Against Charley Allen and other people like him.

Mr. WEILAND. You asked him to get you a weapon to defend yourself against him?

Mr. NATALE. And other people like him. That is no joke.

Mr. WEILAND. Who are the other people like him that you are referring to?

Mr. NATALE. Quite a few. Actually calls at the union hall, it would make your hair stand up without even saying their name.

Mr. WEILAND. Did you anticipate in 1978, the outbreak of substantial violence in the Philadelphia-Camden area?

Mr. NATALE. I was just repeating street talk to Charley Allen.

Mr. WEILAND. In a recorded conversation, Mr. Natale, we will furnish you with a copy of this transcript, page 27——

Mr. ZEITZ. May I ask a question before you get to that?

Mr. WEILAND. No.

Mr. ZEITZ. It appeared there were pages missing through these transcripts. It is one of the questions he asked me this morning, because he said that when he looked at this, there appeared to be things out of context because the page numbers were renumbered. I think he is entitled to at least know that, whether we have a correct transcript.

Mr. WEILAND. Look at page 27 and see if you can answer this question. There is a reference to "trouble in the Philadelphia".

Mr. ZEITZ. Is that a quote at the bottom?

Mr. WEILAND. In the bottom. There is a reference to trouble in Philadelphia.

Mr. NATALE. Yes.

Mr. WEILAND. Was not that a reference to an impending gang war in Philadelphia, Mr. Natale?

Mr. NATALE. As you see, Mr. Weiland, I say nothing yet. I do not know what Allen, Allen was suggesting many things in this transcript that I had read. It helps me recall a little bit. He was a great suggester, which he was supposed to do. He was taped up. I was not. So he was suggesting it to me.

Mr. WEILAND. You yourself were not anticipating trouble in Philadelphia?

Mr. NATALE. Myself, all I heard was street talk. That is all I heard. I was not anticipating anything. He makes the assumption on many of these things.

Mr. WEILAND. There is a reference on page ten of that same transcript, Mr. Natale, where Allen says "he wants to take the union over, you know".

Mr. ZEITZ. Is this ten at the bottom or ten at the top?

Mr. WEILAND. Ten at the bottom.

Mr. NATALE. Yes. I see where you mean.

Mr. WEILAND. To whom is he referring?

Mr. NATALE. Apparently he is referring to Franny.

Mr. WEILAND. Franny McDonald?

Mr. NATALE. Yes, who was a friend of mine.

Mr. WEILAND. Was it your opinion that McDonald was trying to take the union over?

Mr. NATALE. If I listened to Charley Allen, I would begin today, he tried, you are getting—when we talk now, three weeks prior to that, he came to me almost every day and was telling me about Franny McDonald doing this, Franny McDonald doing that. Thank God I kept my senses about me and proved to be a good friend and is still a good friend.

Mr. WEILAND. Was it your opinion that McDonald was trying to take the union over?

Mr. NATALE. No. Franny liked to talk when he got a few drinks in him. That is about it.

Mr. WEILAND. At page 20, at the bottom of the page, Mr. Natale, there is a reference on your part to A-N-G, "Ang" he is the boss, let him call the shots. Were you referring to Angelo Bruno?

Mr. NATALE. Yes. Here, yes. But I say this here, Charley Allen was again an instigator of different things that I would never go along with.

Mr. WEILAND. What was he boss of? You said "he is the boss".

Mr. NATALE. Angie, when I said he is the boss?

Mr. WEILAND. Yes.

Mr. NATALE. Charlie and I were going to be a gangster in Philadelphia. I told him he better stay out of Philadelphia.

Mr. WEILAND. Because Angelo Bruno is the boss?

Mr. NATALE. That is street talk.

Mr. WEILAND. Did you know him to be the boss?

Mr. NATALE. No.

Mr. WEILAND. You just said that?

Mr. NATALE. I said that because Charley loved to hear gangster talk.

Mr. WEILAND. Finally, Mr. Natale, on pages 29 and 31, you and Allen are recorded as discussing the placing of dynamite in a car, car engine.

Mr. NATALE. Yes.

Mr. WEILAND. Do you recall that conversation?

Mr. NATALE. Yes. If you will agree that he is telling me about it, I just recall him saying, a big, yeah, yeah, yeah, I know nothing about placing dynamite. But he came to me with this proposition, another one of his propositions. He was going to get the dynamite, he wanted some money from me to buy the dynamite, he was going to put it under somebody's car.

Mr. WEILAND. Whose car?

Mr. NATALE. Absolutely I do not know what he is talking about.

Mr. WEILAND. Did you know him to be talking about a New Jersey state trooper?

Mr. NATALIE. No.

Mr. WEILAND. If we can just have a moment, Mr. Chairman. I think we can wrap up in just a couple of minutes.

Chairman ROTH. The subcommittee will be in recess for five minutes.

[Brief recess.]

[Member present at the time of the recess: Senator Roth.]

Chairman ROTH. The subcommittee is in order.

Please proceed, Mr. Weiland.

Mr. WEILAND. Let me say, Mr. Natale, we have just a few more questions.

Mr. ZEITZ. Can I make a request? Can Mr. Natale be taken directly back to Lewisburg today? We were told by marshals that unless counsel for the committee tells them not to, they will transport him directly back to the institution and avoid him having to stay in the county facility. Can that be done.

Mr. WEILAND. We will discuss that with the marshals when we break up.

Mr. Natale, I am going to show you a document which has been previously marked as government Exhibit S–1. It is a xerox copy of the slip of paper which says four inch barrel, .22 auto, and Number 10 with a circle around it. I will ask the clerk to show you this document.

You have seen that before, have you not?

Mr. NATALE. I saw this in some circumstance, somebody had shown me this.

Mr. WEILAND. In a hearing.

Mr. NATALE. Somewhere along the line.

Mr. WEILAND. Is that a copy of the note that you gave Charley Allen?

Mr. NATALE. Mr. Weiland, it looks like my handwriting. I am not sure. So many things I have jotted down for Charley, I am not positive.

Mr. WEILAND It appears to be something that you wrote? Is that right?

Mr. NATALE. It appears to be.

Mr. WEILAND. What was the purpose of that? I take it you did give Allen a note to this extent at some point?

Mr. NATALE. Can I answer that? Just——

Mr. WEILAND. Please.

Mr. NATALE. Charley Allen at that time asked me about these guns about the short barrel, long barrel, whatever and the silencers. He asked me at that time, he is the salesman again, showing how stupid and foolish I was at that time believing he was my friend, he said he could get me these things, please write it down, apparently the FBI agents did have Natale write it down. The fool I was, apparently I wrote it down. He told me he could get these.

Mr. WEILAND. He told you he could get ten?

Mr. NATALE. Let me finish. He told he he could get ten, whatever, I marked down, apparently, it looks like my handwriting, he said please, mark them down, I can see his face right in front of me right now, I forget these things, you know how confused I am, Ralph, please mark it down. He is telling me exactly what he could get and put the numbers down, the fool that I was, I put them down. It looks like that is my writing. That is the way to answer that.

Mr. WEILAND. The purpose was for him to go and obtain ten 0.22 automatics. Is that right?

Mr. NATALE. Apparently that is what it was.

Mr. WEILAND. What did you need ten for, Mr. Natale?

Mr. NATALE. He said he could get ten.

Mr. WEILAND. He said?

Mr. NATALE. Yes.

Mr. WEILAND. You just agreed with him?

Mr. NATALE. Yes.

Mr. WEILAND. That was his idea from the beginning?

Mr. NATALE. I never got one, I never got any of them.

Mr. WEILAND. You have previously testified that the only thing Charley Allen did was put you in jail?

Mr. NATALE. Excuse me.

Mr. WEILAND. You previously testified before this subcommittee I believe something to the extent that the only thing Charley Allen ever did for you is to put you in jail?

Mr. NATALE. I imagine that was a little left-handed remark.

Mr. WEILAND. He did do other things for you, did he not?

Mr. NATALE. What he did for me?

Mr. WEILAND. Yes.

Mr. NATALE. He never worked for me. I never paid him for anything he ever did for me.

Mr. WEILAND. You never paid him a dime?

Mr. NATALE. He never did any work for me where I paid him for work, any kind of work.

Mr. WEILAND. What do you consider work?

Mr. ZEITZ. I will object to the form of that question.

Mr. WEILAND. To what? To the form of the question?

Mr. ZEITZ. I am objecting to it——

Mr. WEILAND. Your client just said he never did any work for me.

Mr. ZEITZ. Your initial question was somewhat argumentative, the only thing Charley Allen ever did was put me in jail. Then we got on some diatribe that wasn't even responsive to a question.

Mr. WEILAND. Did Allen ever do anything for you, Mr. Natale?

Mr. NATALE. When?

Mr. WEILAND. 1976 to 1979?

Mr. NATALE. When you say doing anything for you, what do you mean specifically.

Mr. WEILAND. Did he perform any services whatsoever for you at your request?

Mr. NATALE. Excuse me, Mr. Weiland. I want to make sure I get this question correctly.

Mr. Weiland, what he did, it might be what you are looking for, it was in the statement, he did purchase P2P for me.

Mr. WEILAND. He did?

Mr. NATALE. That is what he did for me.

Chairman ROTH. Is that the only thing he did for you?

Mr. NATALE. Yes.

Chairman ROTH. He performed no other services?

Mr. NATALE. No. I did answer this. None of the service, that he claims he was a strong-arm man, my bodyguard. Never, he never did anything.

Chairman ROTH. We will go back to the question. Would you please give all services that he provided?

Mr. ZEITZ. What do you mean bv services? What does that mean?

Chairman ROTH. I think that is a perfectly clear question. The term services is not that obscure.

Mr. ZEITZ. Is that related to the union, relating to whether or not his tenure of the union——

Chairman ROTH. I asked the witness, be in order, please.

Mr. ZEITZ. Mr. Chairman——

Chairman ROTH. I asked the witness did Mr. Allen perform any services for you in that three year period?

Mr. NATALE. What services are you referring to? Then I can answer that question.

Chairman ROTH. Any kind of services? Was he your chauffeur, did he provide you with——

Mr. NATALE. No. He was not my chauffeur.

Chairman ROTH. I want the question services?

Mr. NATALE. I just gave it.

Chairman ROTH. Did he provide any kind of services for you, other than the one you already mentioned?

Mr. NATALE. No.

Chairman ROTH. He provided no other services?

Mr. NATALE. None whatsoever, sir.

Mr. WEILAND. Mr. Natale, after you were incarcerated——

Mr. ZEITZ. Mr. Natale wants to clarify the last answer.

Mr. WEILAND. Please do.

Mr. ZEITZ. Because he has indicated to me that he has known Mr. Allen or knew of him for a long time. You are asking him to try to remember. You are using the broad term services. He is prepared to answer any specific questions concerning that. It has been four and a half, five years he has been in jail. Ask him a specific question. It may jog his memory if you ask him something that he may have recollection, something on tape. He is willing to answer further questions in that area. He is telling, at least he has told me, for him to give you a carte blanche 100 percent answer to that without knowing specifically what you mean is difficult because of his recollection.

He says it has been about five years.

Mr. WEILAND. We asked him for a specific time period and he said to the best of his recollection the only thing Allen did was obtain P2P for him.

Mr. NATALE. He did work for the union as a bartender. He had a union card. We sent him out to work. I am repeating myself. He got confused, he didn't know the scotch from the rye, from the VO. He didn't want to work. He said I get totally confused and I can't stand behind the bar. They weren't services for me. They worked out of the local that I represent.

Mr. WEILAND. All right. I understand. Let me ask you this. When you were incarcerated in 1979 did you continue to realize any income?

Mr. NATALE. None whatsoever.

Mr. WEILAND. How about your family?

Mr. NATALE. My family is on welfare, sir.

Mr. WEILAND. They are on welfare?

Mr. NATALE. Yes.

Mr. WEILAND. They are not deriving any income from any of your former associates?

Mr. NATALE. No, none whatsoever. My other children also bought my wife and my two single daughters their home, my other sons contribute too, try to help them when they can. It is not a continuing thing, but when they can.

Mr. WEILAND. Who is Mr. Lansky? Do you know Mr. Lansky?

Mr. NATALE. No, I don't.

Mr. WEILAND. Have you ever used that term Lansky to refer to one of your associates perhaps who goes by another name?

Mr. NATALE. No. I never did. I often, I should say this here, I have quite a few Jewish friends, they think they are smart, what are you, a Lansky, referring to the late Meyer Lansky.

Mr. WEILAND. Have you referred to Larry Smith as Lansky?

Mr. NATALE. I don't think so.

Mr. WEILAND. You don't think so but you may have?

Mr. NATALE. I don't think so. I never did. I don't recall ever saying that there.

Mr. WEILAND. Mr. Natale, that is all that we have at this time. We are prepared to release you and should your testimony be required at a later date we will again be forced to bring you to Washington.

Thank you, Mr. Chairman.

Chairman ROTH. The witness is excused.

Mr. ZEITZ. May I see someone from the committee concerning his return?

Mr. WEILAND. Mr. Chairman, that is all we have at this time and would suggest we are prepared to recess.

Chairman ROTH. The subcommittee is in recess until further notice.

[Member of the subcommittee present at the time of recess was Chairman Roth.]

[Whereupon, at 11:55 a.m. the hearing of the subcommittee was adjourned, subject to the call of the Chair.]

DECLARATION OF MIKE KOHLENTZ, MEMBER OF HERE LOCAL 2, SAN FRANCISCO, CALIF.

I hereby swear under penalty of perjury that the following is true and correct:

I have been a member of HERE Local 2 in San Francisco for seven years and served from July, 1978 to June, 1982 as a business agent (B.A.) for the Local. In 1982 I lost my job as B.A. when Mr. Charles Lamb fired myself and other individuals who opposed him in his resolution bid.

It is common knowledge within Local 2 that the McDonald Administration, elected in 1978, was not favored by the International Union (IU). As a Union member and former B.A., it is my belief that the turmoil within the membership of Local 2 during 1978 was instigated by the International Union in order to create a reason to impose a trusteeship and oust the McDonald Administration.

After he took office, David McDonald, President of Local 2, became openly friendly with Herman Leavitt of the International Union. McDonald later publicly stated that he was "duped" by Leavitt into asking the IU for assistance in operating Local 2. The IU subsequently imposed a trusteeship and Vince Sirabella was appointed trustee. Within a very short time, Sirabella had fired not only McDonald but also Winston Ching, vice-president of Local 2, Sirabella proceeded to reinstate at least six individuals who had been fired by McDonald. In effect, he retained those employees who were proponents of the IU rather than the Local.

In 1979, following a federal court decision overturning the trusteeship, the Local held new elections. But new by-laws had been approved by General President Hanley and put into effect by Sirabella by the time the trusteeship was terminated. One of the most significant changes in the new by-laws was a reduction in the number of offcers from seven to three, and Executive Board members from fifteen to ten. By reducing the number of elected officials, the International significantly reduced the chances of opposition candidates.

There is also some indication that the IU was behind Charles Lamb in his campaign for president of Local 2. In fact, the IU was involved in improper support for Lamb, according to Anthony Casada of the D.O.L. whose contributions far outdistanced those of his opponents, David McDonald and Ed Forcier. Vincent Sirabella according to Lamb, promised Lamb "his base" in the election.

When the election was finally held, a two-day vote was allowed, allegedly giving members additional time in which to vote. However, members were not allowed to stay with the ballot boxes the night between the two days of voting. When the votes were finally counted, they were split between the three candidates and Lamb was declared the official winner.

In 1980, while working as a B.A. for Local 2, I proposed that the new administration under Charles Lamb audit the contributions of Bruno's Restaurant in San Francisco to the Local's health and welfare fund. Lamb told the fund that "We can't audit him," but never explained his reasons. A vote was subsequently taken and the audit was approved, seven to one. Lamb went on record

as voting against the audit although he claims to be interested in enforcing employer contributions. As a result of the audit the restaurant was required to pay roughly $40,000 in delinquent contributions.

I have read and reviewed each page of this declaration and I swear, to the best of my knowledge and belief, that the statements contained herein are true and correct.

MIKE KOBLENTZ.

SAN FRANCISCO CULINARY, BARTENDERS & SERVICE EMPLOYEES WELFARE FUND

MINUTES

Date: April 24, 1980.

Time: 9:40 a.m.

Place: San Francisco Hilton Hotel, Whitney Room.

Trustees present: Union—Charles Lamb, Chairman, Sherri Chiesa, Larry Tom, Philip Deredi, Mike Koblentz, Alternate; Employer— Guy Leonard, Secretary, Douglas Cornford, James Smith, J. Robert Snyder.

Others present: Roland C. Davis, Esquire, Geoffrey White, Esquire; Clifford Barbanell, Consultant, Peter Wilson, Consultant, Nancy Skelly, S. F. Administrators, Inc., Norman Weersing, S. F. Administrators, Inc., Kirsten Brooks, S. F. Administrators, Inc.

The meeting was called to order by the Chairman, Charles Lamb.

1. Minutes

Motion made, seconded and passed that the Minutes of March 27, 1980 be approved. Leonard/Deredi.

2. Contract Administrator's Report

(a) *Vacation benefits.*—Motion made, second and passed to approve vacation payments as presented. Chiesa/Tom.

(b) *Disability benefit payments.*—Motion made, seconded and passed to approve disability benefit payments. Leonard/Chiesa.

(c) *Delinquent Accounts Committee Report and Recommendations.*—Motion made, seconded and passed that the Delinquent Accounts Committee recommendations on Page 1 of report and that part of Page 2 applying to the High Tide and the John Bull be adopted by the Board of Trustees. Leonard/Deredi.

Discussion ensued with Mr. Snyder asking how the Committee determines which option to exercise, e.g., whether to take civil action versus action before the Labor Commissioner. Mr. Leonard responded that civil actions are taken in the case of large situations whereas the Labor Commissioner is the usual first step used in the case of smaller delinquencies. Expedited arbitration is a more rapid means of getting the people involved to settle before an independent third party. In response to Mr. Snyder's question as to whether expedited arbitration was done solely on the advice of counsel, Mr. Leonard said that the Committee can make the decision.

Mr. Leonard commented that there was a recommendation passed on a report from Mr. Koblentz, Business Agent for Local 2, that a Harris, Kerr, Forester & Company payroll audit be initiated on Bruno's and the New Lodge. Mr. Leonard request requested a report from the Administrator at the next meeting on the progress of the regular payroll auditing program.

Chairman Lamb called for an executive session, from which there was no report.

Motion made, seconded and passed to accept and approve the recommendations of the Delinquent Accounts Committee on Pages 2 and 3 of the report. Leonard/Chiesa.

Chairman Lamb voted "no," all others, "aye."

Discussion ensued regarding New Lodge with Mr. Leonard commenting that this is one where the employees were interviewed by Mr. Koblentz. It was reported by the employees to Mr. Koblentz that for several pay periods cash payments were being made and therefore there were no payroll records to be audited. Mr. Koblentz felt this is a case for the Labor Commissioner. Mr. Cornford said the employee still has to keep records and that we should turn New Lodge over to the Internal Revenue Service. Mr. Deredi agreed and elaborated that if the employer pays some of the time in cash it has to be reported to the

Internal Revenue Services and to the Franchise Tax Board. Mr. Leonard questioned as to whether notifying those agencies was the responsibility of the Trust; contract enforcement is a responsibility of Local 2. Mr. Cornford replied that if the employer is not keeping records we cannot do an audit.

DEPOSITION OF CHARLES LAMB

BEFORE THE U.S. SENATE, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS

Deposition of: Charles Lamb, Federal Building, Room 2007, 450 Golden Gate Avenue, San Francisco, California, Thursday, March 24, 1983.

The above-entitled matter came on for hearing, pursuant to Notice, at 9:00 a.m.

Appearances: On behalf of the Subcommittee on Investigations: S. Cass Weiland, Chief Counsel, Subcommittee on Investigations, United States Senate, Washington, D.C. David E. Faulkner, Investigator, Subcommittee on Investigations, United States Senate, Washington, D.C.

On behalf of the Dependent: Matthew Ross, Esq., Neyhart, Anderson, Nausshaum, Reilly & Freitas, San Francisco, California.

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Examination by Mr. Weiland.
Examination by Mr. Faulkner.
Examination by Mr. Weiland.

EXHIBITS

Exhibit No. 1 (One-page document entitled "Local 2, San Francisco," showing Senate analysis of average annual employment figures in San Francisco and Local 2).

Exhibit No. 2 (Notice of Deposition).

Note: Exhibits retained by Mr. Weiland.

Charles Lamb having been sworn by the Notary Public, was examined and testified as follows:

Examination by Mr. Weiland.

Mr. WEILAND. Q. Would you state your full name, address, and office phone, please?

A. Charles Michael Sterling Lamb, 209 Golden Gate Avenue, 864–8770.

Mr. WEILAND. And would Counsel identify himself, please.

Mr. Ross. Matthew Ross, appearing on behalf of Mr. Lamb, of the firm Neyhart, Anderson, Nussbaum, Reilly & Freitas, San Francisco.

Mr. WEILAND. Q. Mr. Lamb, as you may know, the Senate Permanent Subcommittee on Investigations has been involved in a fairly lengthy process on studying certain facits of the Hotel Employees and Restaurant Employees International Union and we have looked at certain of the International's Locals in various parts of the country.

Pursuant to this inquiry, we have held two sets of hearings in Washington; in June of 1982 and in September of 1982. We envision further hearings in 1983; probably in April and in the summer.

The Subcommittee has a long history of interest and involvement in labor-management issues, dated back almost to its inception in 1948. The Subcommittee, for example, held numerous hearings under the chairmanship of John McClellan, which dealt with labor-management issues. And, in fact, the hearings of the Subcommittee have provided the basis for a great deal of legislation for which has flowed from the Senate over the years.

The most recent example of that in 1982 was S. 1785, the Labor-Management Racketeering Act which passed the Senate last year. It did not pass the House.

I would like to begin this morning by asking you to tell us when you first became a member of the Union and describe what offices you've held over time—preferably starting with your current situation and going back.

A. All right. I first became a member in December of 1970, I believe. My current office is President Executive Officer. I've held that office for approximately four years. I was elected to that office in 1979, I believe.

Prior to holding that office, I was briefly the Director of Education of the Union for approximately seven months; and prior to that, I was the executive Vice-President for four months.

Prior to being the Executive Vice-President, I was a coffee cart person, a cashier, a wine steward, a food server, a men's room attendant, a doorman, a hatcheck person, working in the trade. And I've done some other things in the trade as well.

Q. Were all of those jobs held in the San Francisco area?

A. No. I worked at the Carnelian Room in San Francisco from 1970 until 1978. Prior to that, I worked at St. Michael's Alley in Palo Alto for about two and a half years—this would have been, oh, '60, '63. Prior to that, I workel in Kirshan's in Berkeley; prior to that, I worked in a small coffee shop which is no longer there and the name of which escapes me.

I also spent one year as a manager of a Guckenheimer's Sandwich Shop on Geary Street.

Q. What was your exact line of work when you were elected Executive Vice-President in 1978?

A. You mean, as Vice-President?

Q. What was your line of work?

A. The last three years at the Carnelian Room, I worked as a coffee cart boy and cashier.

Q. And what was your salary when you were elected Vice-President in '78?

A. $14,000, I believe.

Q. And what is it today?

A. $25,000.

Q. Do you receive any stipend from the International?

A. No.

Q. What about expense money from the Local? Do you receive expenses above and beyond the $25,000 salary?

A. I'm on a reimbursed expense schedule.

Q. Can you tell us, roughly, what the amount of reimbursement was for last year, for example?

A. It's a little hard—I would have to check my records. I really don't know. I would think that it would be probably between 200 and 400 a month. That would be reflected in the records.

Q. Do you have a credit card or anything provided by the local?

A. Yes, I do.

Q. Are most of your expenses lodged on that credit card?

A. Yes.

Q. While we're speaking of salaries—Do you know the salary of the General President, Ed Hanley?

A. I don't know it exactly. I think I heard it at the International convention; but I wouldn't know it offhand. I'd have to go back and look at the records of the convention. I think it was voted on at that convention. I probably heard it there.

Q. And would that be the same in terms of your recollection for other officers?

A. Yes.

Q. Now, did there come a time in approximately October of '78 when the Local 2 President, Mr. McDonald, asked the International for some administrative assistant or administrative assistance?

A. Yes.

Q. Were you involved in that request yourself?

A. Yes and no. The request came about as a vote of the Union's Executive Board; and I was, at that time, the Executive Vice-President—a position which isn't there anymore. We have three officers now; and at that time there were considerably more.

And at the Executive Board meeting, President McDonald asked me to make the motion for administrative assistance, which I did. That was the extent of my involvement.

Q. Apparently, there is some controversy—or there is confusion over exactly what the Local was asking for, prior to the imposition of this trusteeship.

What was your understanding of the nature of the request from the Local in 1978?

A. I really didn't have a firm understanding. The request by McDonald was made to me immediately before the Executive Board meeting; he didn't bother to explain it to me in any detail.

David and I ran together on the same ticket and were elected together and had been very close in the operation of the Union. But in that particular matter, he basically came to me before the Executive Board and said "Charles, I want you to make this motion."

Q. So this wasn't something that you had had extensive discussions with McDonald about.

A. No.

Q. Was the precise nature of the request one for an administrative assistant?

A. It's in the minutes of the Executive Board. I'm trying to recall how it was phrased. I think—and I haven't researched this—I could be wrong. And the minutes would reflect the actual motion. I think the motion was to ask for administrative assistance—I believe was the way it was phrased.

Q. Would you provide us with a copy of those minutes for the record.

A. Sure.

Q. Was the motion approved unanimously?

A. No. The vote—and against I would have to check the exact number. We had, I believe, 23 or 25 people on that Executive Board; and the vote was—I believe there was six noes. And that would have meant there would have been 15 or 17 yesses, something of that nature.

Q. It's our understanding that Mr. McDonald discussed this matter with Ed Hanley and Blackie Leavitt at some point after the motion was made and the request went from the Local to the International. Were you involved in any of those discussions?

A. Not that I recall.

Q. Were you surprised when the International then moved to put the Local into trusteeship?

A. Well, after the motion had been made—and, again, this was presented to me right before the Executive Board. So I went, and I looked at the International Bylaws; and having looked at the International Bylaws, I was not surprised. Because I think the International Bylaws were fairly clear on what administrative assistance implied.

Q. It's our understanding that Vincent Sirabella was dispatched and became the trustee. Is that correct?

A. Yes.

Q. Our records show that some officers continued to be paid in 1978. Did you receive a salary from the Local in 1978 after the trusteeship was imposed?

A. Yes, I did. As I said, I was Director of Education.

Q. And any money you received was pursuant to your job as Director of Education?

A. Yes. In fact, I believe it was exactly the same salary I received as Executive Vice-President.

Q. Did you know Sirabella before that time?

A. No, I did not.

Q. It's our understanding that, not long after the imposition of the trusteeship, an element in the Local moved to disband the trusteeship and file an action.

Mr. Ross. Can you define what you mean by "element"?

Mr. WEILAND. Q. Certain individuals filed a lawsuit to disband the trusteeship; is that correct?

A. That's correct.

Q. Were you in favor of that move?

A. No.

Q. Was there any way that you manifested your disagreement—did you give speeches against it?

A. No. I tried to stay out of the whole situation. I think that's best illustrated by the fact that there was a hearing on the trusteeship, conducted by the International; and I did not attend that hearing. I expressed my opinion to people if someone asked me. But I did not take any public position, outside of, you know, if a member said "how do you feel about this?" I really wasn't involved in that. I was quite busy being the Director of Education.

Q. So you, at least, had been an elected officer of the Local.

A. Yes.

Q. Weren't you interested in resuming some position of influence and power in the Local?

Mr. Ross. What does "influence and power" mean? Are you asking, did he want to run for office?

Mr. WEILAND. Q. Did you want your job back as Executive Vice-President?

A. Well, the Union had gone through a significant change; and there was a great deal of turmoil. I think you can understand from what I told you of my experience when I was elected—that I had no experience, at that time, in being a Union official.

It struck me, at the time, that Mr. Sirabella was a competent person, who was doing many of the things that we who had run for office wanted to have done—election of rank and file committees, publishing of the newspaper in different languages. So it appeared that someone who was competent, who was in line with the kinds of things that we had espoused and, most importantly, knew how to do them, as opposed to simply espousing them, was running the Local.

And my opinion at the time was—and continues to this day—that considering the kind of turmoil that we had, that Vincent was perhaps the best person to be in that situation at the time.

And I had not set out to be an officer of the Union. I had been a rank and file member who had gone to the Union meetings and tried to change the policies of the Union through participation in the Union meetings; and, really without much thought, found myself involved—I don't know that any of us thought we were going to be elected—in this election, almost as a protest of the policies that were there.

So in many respects, I felt that what had happened, again—and I felt this at the time—that was the best for the members of the Union and the people I was supposed to represent.

Q. In any event, the court ordered another election; is that right?

A. That's correct.

Q. And about that time, it's my understanding that the Local 2 Bylaws were changed.

A. It's my understanding that the Department of Labor and the International sat down—I was not involved in that process. But it's my understanding that that's what happened—they sat down and reviewed the Bylaws.

The previous Bylaws had been the project of the—had really been an amalgamation of things in the merger. And so the Department of Labor and the International together rewrote the Bylaws; yes.

Q. Was there any input from Local 2 in the Bylaw changes?

A. Well, that's an interesting question. Not in the—No. I'll say no. I think that's the easiest answer.

Q. Is it fair to say that the new Bylaws gave the president of the Local more authority?

A. Yes.

Q. When did you first decide to run for president?

Mr. Ross. Can we just take a second?

[Counsel conferring with the witness].

The WITNESS. Yes. If I may—the previous Bylaws had had some inherent internal contradictions. And one of the difficulties that McDonald had was that you could read the Bylaws two ways; and particularly in terms of hiring and firing people. One was that the president did have authority to hire and fire; and the other was that the president needed the approval of the Executive Board to do that. And frankly, one could argue that point, again, reading those Bylaws either way; and it made for some very difficult internal contradictions and was one of the major reasons there were so many difficulties under the McDonald administration.

So the Bylaws now, in my opinion, having served under the old Bylaws and tried to get things done as Executive Vice-President and under the new Bylaws as President, are much clearer and much more direct and far less wieldy.

Under the old Bylaws, we had a president, a vice-president—an executive vice-president. Excuse me. A vice-president at large, and four divisional vice-presidents. And a number of other officers were all in there elected. So you had all of these "chiefs" in the situation. Today we have three officers; and the responsibility of each officer is very clearly defined. And the membership's relationship to those officers is very clearly defined. And from my point of view, I think it is a more manageable document for the running of the Union.

Mr. WEILAND. Q. I understand. I think that makes it fairly clear.

Let me ask you this: You say that the International and Department of Labor sat down to try to help rewrite these Bylaws. Who was it from the Department of Labor and who was it from the International?

A. I don't honestly know that. At the time, I was Director of Education; and that wasn't something that I participated in in any way, shape, or form.

Q. Is it a safe assumption that Sirabella was involved on the part of the International?

A. I'm sure he was one of the people that was involved. But, again, I was not directly involved; so I can't say specifically.

Q. Let's go back then to my last question which was: When did you first decide to run for president?

A. Well, if you have the chronology, you'll know that the federal judge ruled that 30 days, I believe, from the time that he made the ruling there should be an election. Normally, in a union election, they're every so often—once every three years, let us say. And sometime in advance of the election, people know there is going to be an election. There is an amalgamation process; there are a whole bunch of things that happen to get to that election.

This was a somewhat unusual situation and no on had anticipated that particular decision, as I understand it. And so there was kind of—I guess the best word is—a scramble to a number of different folks to put together slates to run for office. And we ultimately ended up with what might be called three major slates and a couple of minor slates. So there were actually, I believe, at least five people running for president, all with attendant slates, if you will.

A number of people in the hall had discussions about how we felt about different people, whether we thought that—for example, there was suspicion that McDonald would run again—whether that was a direction to go in or go in, perhaps, some other direction.

And some people suggested to me that I might be a suitable candidate for president. Up until that point, I had not really considered it.

Q. Did Mr. Sirabella suggest that?

A. I don't think that Mr. Sirabella suggested that exactly. When it became apparent that, I was going to run, I think he wished me good luck, if you will.

Q. Did you talk to Sirabella about your interest in running? Did you ask him his advice with respect to the prospect of running?

A. Well, I think that I may have informally discussed the fact with him that I was running. I probably did; yes.

Q. How about other employees or officers of the International? Did you have any discussions, for example, with Blackie Leavitt?

Mr. ROSS. About what?

Mr. WEILAND. Q. About running, prior to this election in 1979.

A. I'm trying to recall. I may have. It seems to me that we—Vincent was really the person that was around. I know that after the election I was congratulated—I'm trying to think back.

It was all very—we had 30 days to run. We threw together a campaign; we went out and started running. And there really wasn't a whole lot of time. I mean, it wasn't like we sat down and talked to a whole bunch of outside people. We are talking to our members.

When you run for office in this Union, you get up at 5:00 o'clock in the morning and shake hands with the maids in the hotels at 6:00 and go to breakfast; and then you wander around to all the restaurants; and then you go to lunch and shake hands with everybody; and then you go out until 2:00 o'clock in the morning and try to hit all the bars—say hello to all the bartenders. And you do that for three weeks straight. There's not much time for talking to people out of town.

Q. Was there any other candidate who seemed to have the support of the International?

Mr. ROSS. What do you mean by "seemed to have the support"?

Mr. WEILAND. Q. In your opinion, in your experience, in your view.

A. Well, I don't know that any candidate had the support of the International. I mean, they didn't participate in the election.

Q. How much did your election cost?

A. I believe—I was not the treasurer of the campaign. I believe in the neighborhood of $18,000, $20,000.

Q. And where did the money come from?

A. Well, we got donations from people, we had a couple of fund raisers. I put out, I don't know, a couple thousand dollars myself. I believe the Department of Labor, which ran that election, has a mull accounting of all that. They probably would have those records available.

Q. Can you tell me, just from your own recollection, who your biggest financial backers were?

A. I would think the bartenders. The bartenders went out and talked to all the bartenders in all the bars and, as I recall it, raised a fair amount of money, as a single group of folks.

Q. Can you tell me who your largest contributor was?

Mr. Ross. Isn't that the question you just asked him?

Mr. WEILAND. Well, he's given me an answer that was really a group of people that backed him ,as I understand it.

The WITNESS. Yeah. The bartenders.

Mr. WEILAND. Q. What about a single individual contributor?

A. It's been a long time. Again, I think the Department of Labor has all those records.

Q. Did you get cash contributions as well as by check?

A. Certainly.

Q. Mr. Lamb, I understand that on or about July 1st, 1980, the contract with the Hotel Association expired.

A. Yes.

Q. And a strike initially threatened and then actually occurred.

A. The biggest strike in the City in 40 years.

Q. It lasted for approximately 20 days.

A. 23 days, I believe.

Q. 23 days. Were you involved in the negotiations to try to settle the strike?

A. I was the chief negotiator.

Q. I understand that, at least at times, there was a large committee that was——

A. Yes, there certainly was.

Q. On the employees part and on the employers part. You had some lengthy negotiations. Who were your principal lieutenants, if you will, in terms of these negotiations? You characterize yourself as the chief negotiator. Whom did you primarily rely on?

A. Well, a number of people. Vincent was involved; Vincent Sirabella. Rick Lamb was involved. Rick Lamb is not my brother—whose name is also Rick Lamb—but one of my staff. Craig Bankhead, Sherry Chiesa. And at one time, we had Jack Crowley, Jimmy Herman, and Jack Goldberger come in as a mediation beam. The mayor got involved.

Q. Was there anyone else from the International besides Mr. Sirabella who played a role in negotiations?

A. Well, from time to time the International sent us people to give us assistance in the strike itself—organizers you might say—to give us picketing assistance. And there was, I think, about five people who came out and helped us on the picket line.

And in addition to that, from time to time, we would see, ultimately, Mr. Hanley and Mr. Leavitt.

Q. How about Mr. Kenneally—was he out here? If you recall.

A. I don't recall. He may have been.

Q. John Gibson?

A. No.

Q. Eventually there was a session held in Los Angeles, and the strike ended and the contract agreed upon; is that right?

A. Well, the strike didn't end until the members voted on it by secret ballot.

Q. Was Hanley at the meeting in Los Angeles?

A. Yes.

Q. Was Leavitt?

A. Yes.

Q. Who was there from the employers' side; do you recall?

A. Mr. Cornford would have been there from the employers' side. He was the chief negotiator for the hotels. And there were five or six other employers there.

It was sort of a mediation format; so I would have difficulty recalling all the names of the employers. But I'm sure Mr. Cornford could tell you that.

Q. Where was the negotiation session held in Los Angeles?

A. It was held in the offices of Seaforth——

Mr. Ross. The firm that now represents the Hotel Employers' Association. It's called Seaforth, Shaw, Fairweather & Geraldson. The main offices are in Chicago; and they have a branch office in Los Angeles.

Mr. WEILAND. Q. And you and Mr. Sirabella were there.

A. Yes.

Q. Did you attend the sessions that Hanley and Leavitt were involved in?

A. Well, the parties—that would be myself and the hotel employers—had, by this point—as sometimes happens in negotiations—a personally somewhat adversarial relationship. It was a bitter strike. A lot of people on the street. It was a very militant strike. They were very proud of the strike.

And there had been a number of attempts—that's why Crowley and Herman and Goldberger were brought in—recognizing that the parties had reached this kind of personal antagonism—as sometimes happens in negotiations—to mediate. We had the Federal Mediation Service in, which Jacobs; we had the individuals I've named. We met with the mayor; the hotel people came in separately and met with the mayor. It was a very bitter—it was the product of 40 years of what can only be described as rather brutal treatment of the hotel workers by the employers. And a lot of passion had come out in the strike—very intense.

So the process, again, was a mediation process.

Q. Well, my question was—I don't want to cut you off; and I've tried to take pains not to. But I'd appreciate it if you'd try to get to the point a little bit more, Mr. Lamb.

A. OK.

Q. Were you present during all of the negotiations in Los Angeles?

A. In the sense that I was in the room. There were several rooms. As in any mediation process, the parties are in two separate rooms and people go back and forth between them. So I was not sitting with the hotel employers 24 hours; but, yes, I was in Los Angeles the entire time. Assuming the employers were over there and we were here; yes. (Witness indicating.)

Q. It is not the case, then, that Hanley and Leavitt met with the employers and, essentially, reached an agreement in your absence.

A. Again, it was a mediation process. There was a shuttled diplomacy, if you will.

Mr. Ross. Can we take a break for a second?

Mr. WEILAND. Let's go off the record.

[Discussion held off the record.]

Mr. WEILAND. Back on the record.

Q. Were there any critical discussions held in Los Angeles relative to settling this strike, which you believe you were not present for?

Mr. Ross. Again, the question is a little ambiguous because "critical" doesn't really apply—or at least as it's posed, doesn't explain what you're asking about.

In terms of negotiations, you know, a critical discussion could be somebody going down to the water cooler and saying "if you'd just come up a dime, we can drop work rule 13." That may be the critical discussion, but it could be all of 30 seconds. And the question really doesn't relate to the negotiation——

Mr. WEILAND. Let me ask another question.

The WITNESS. Yes.

Mr. WEILAND. Q. Were there any discussions that Hanley and Leavitt held, which they explicitly excluded you from?

A. Let me take just a second and try to explain. My job is to negotiate contracts. I negotiate the best contracts in the United States. OK?

In the process of negotiations, you use whatever methods there are to get to the employer, to get the best possible contract. That may be to have a meeting—and we do this all the time—to sit down, to take time—if you have an employer group—to find one employer who seems to be a little more understanding—to take that employer off to the side and talk to him.

The bottom line on the hotel negotiations is that the ultimate contract was one in which I looked at every part of that contract and agreed that that was acceptable to take to the members. And that's what we did. You've got to understand the negotiation process.

Q. Well, was there any meeting that Hanley and Leavitt held, from which you were excluded?

Mr. Ross. Do you mean by "excluded" in the sense that they said "Charles you can't come to it," or which Charles agreed that he might ask Hanley and Leavitt to go talk to the owners? He may have asked them to carry a message to some owner which he couldn't do because he was the leader of the strike, the heavy hitter, if you will. He was the guy who was arrested and led the troups on the picket line. And the hotel owners had never seen a strike before; and they had enormous animosity to him during the strike. So he, in some ways, had channels of communication closed to him that persons on the outside had available to them.

Mr. WEILAND. Q. Was there any meeting where they explicitly told you they didn't want you in the room?

A. Not in that sense; no. No. No. The sense of it was——

Q. If that's the answer, then——

A. Not that I'm aware of. It was a mediation process.

Q. OK. Did you ever tell anybody that Hanley and Leavitt would not let you in the room?

A. Not that I recall.

Q. Do you think it was a good contract?

A. It's the best contract in the United States.

Q. Do you think it's enforced well?

A. I believe so.

Mr. Ross. Let me just add—of course, I'm not sworn as a witness. I don't necessarily expect you to take this as testimony.

But last summer—and Charles can confirm this for the benefit of the record—we participated in an interest arbitration—the fringe benefit portion of the contract—with both the Hotel Employers Association and all the other three major associations in San Francisco—set forth in a separate document.

So all the health and welfare, pension plans—all those provisions and the contributions thereto, were set forth in a separate agreement.

In the course of preparing for this interest arbitration—in which our firm participated through me—we made an analysis of the package that Local 2 has in comparison to the other HERE Locals. And this is not to say that the other HERE Locals have not done the best job they can for their members. In fact, I think if you look at the progress over the last years you'll see a dramatic rise in all the benefit packages for all Locals.

But it is absolutely the case that Local 2's benefit package does exceed that of the others at this point in time. All of the other Locals are doing a good job for their members too—at least that's what appeared to be. If you project the percentage of increases in the last three and five years—not oniy in our Local—but you'd find that pattern confirmed in their Locals. But Local 2 has made dramatic gains.

And that contract capped roughly a 21-percent increase in negotiated wages in one year for the workers.

The WITNESS. If I may—You asked about that contract. That contract got, for the first time, the right of shop stewards to participate in grievance mechanisms. That contract got, for the first time, specific time limits on grievances so they could be processed.

That contract got, for the first time, very specific and definitive affirmative action language. That contract got, for the first time, the right of translators to be present at hearings.

That contract got, for the first time, a quota on how many rooms a maid could do; and defined the maid's work duties for the first time.

That contract got the highest wages in the United States, period, across the board more than anywhere else in the United States.

Mr. Ross. For HERE Locals.

The WITNESS. For HERE Locals. We rewrote about 85 percent of that contract. And I think any contract can be improved at any time. But I think if you were to sit down and compare that contract—that contract is used as a model throughout the United States by other HERE Locals. And we are looked to as the lead in terms of the kind of progressive things we do in this Union.

We put that contract out—it's printed in Spanish and Chinese. And we have classes in Spanish and Chinese for our shop stewards. We elected over 350 shop stewards in the hotels after the hotel strike. And before they could be made

shop stewards, they had to come to a three-day training course, where we took them all the way through the contract.

I think, while there are parts of that contract that I'm going to improve this year when we do it again—and make stronger; I'm very proud of that contract.

Mr. WEILAND. Q. Well, let me ask you this: What percentage of the city's hotels and restaurants are organized?

A. All of the major hotels are organized.

Q. How about restaurants?

A. It's very difficult in San Francisco to say how many are organized, because there are lots of restaurants here.

It is our estimation that over 50 percent of the restaurants in San Francisco are organized; and bars—all the private clubs.

Q. Let me show you—I'll mark this as Exhibit I for today.

[Whereupon, Exhibit No. 1 to the deposition was marked for identification.]

It's captioned "Local 2, San Francisco." And it's an analysis of our own research into average annual employment figures for the industry in San Francisco and Local 2 membership figures through the years.

[Document proferred to the witness and Counsel.]

Mr. Ross. What data did you use for this?

Mr. WEILAND. The Local 2 numbers come from LM–2s. The industry figures come from Department of Labor information.

Mr. Ross. Do you know that the Department of Labor's information includes outlets which historically have not been organized, such as fast foods? Which have only recently penetrated the San Francisco market. They were excluded from San Francisco until recently—they got a foothold.

Mr. WEILAND. They may well include fast food.

The WITNESS. I think the Local 2 figures look fairly accurate. We've done some surveys using Social Security records, which would tend to indicate that your figures are high, from what we know on the employment of hotel-restaurant workers in San Francisco.

I would add that the decline in membership that you see reflected here has primarily taken place for two reasons. One is the elimination of a lot of neighborhood bars, which have become either gay—there is a large gay—Castro Street and Polk Street, which have a lot of bars, and also south of Market—Folsom—are now gay; and we have some difficult times organizing. We've put on several organizing drives in the gay community, and we have yet to be successful.

We've won elections in houses which have a lot of gay workers. We have yet to win a specific election in an house which is entirely gay. Local 2 was the first union in San Francisco to support the Gay Freedom Day parade also. And as far as I know, was the first union in San Francisco to hire gay organizers, which we have on staff.

The other problem that we have is parallel. And that is the Mission District; which, again, was a very heavily unionized district. And it has gone very heavily Latino. And from our analysis, those are the two areas that we have lost the most membership. We have not lost membership in terms of the hotels or the major restaurants.

For example, we successfully organized and won and negotiated a contract at the largest new non-union restaurant in San Francisco this year—Maxwell Plum—250 workers, in Ghiradelli Square. And we have a very active and ongoing organizing drive.

Mr. WEILAND. Q. OK. Would you supply us, for the record, your own analysis of the industry employment for this area?

A. Well, the way we got that analysis—I don't know that we have that in writing.

Q. If you can do so; that would be fine.

A. Yes. I'm not sure if we have that, specifically, in writing.

Mr. Ross. Can we go off the record for a second?

Mr. WEILAND. Off the record.

[Discussion held off the record.]

Mr. WEILAND. On the record.

The WITNESS. One of the other footnotes——

Mr. WEILAND. You're referring to Exhibit 1?

The WITNESS. Yes. Exhibit 1. In terms of the membership—when I became president, our health and welfare and pension package was comparatively modest compared to today. And we've done two things which have also impacted this.

One, we have a very heavy duty audit program, where we go out and audit employers. We run through every employer on a random basis, so that they are all audited within a four-year period.

And what has happened is that we've collected large sums of money from employers who in the past, perhaps didn't understand the health and welfare rules. And that's had some negative impact, again, on the small independent bar. And it——

Mr. WEILAND. Q. Excuse me. Let me interrupt here just for clarification.

In fact, is adherence to the terms of the contract, in terms of necessary health and welfare contribution, tending to put those smaller bars out of business—they simply cannot compete?

A. That's an interesting philosophical question. There are some people in the Union who espouse that and who say that we should develop a lower standard for the small bars and restaurants. I'm not personally convinced, philosophically, that that is correct.

I think that the rising rents, for example, in this city—which are skyrocketing for small business—have a much heavier impact on our health and welfare. But the position that we are getting too much money from the small bars has been espoused.

Q. You yourself have, I take it, taken a very aggressive posture with respect to auditing and attempting to collect health and welfare contributions that have not been paid in.

A. Absolutely. And, in fact, there is even some criticism that we are overly aggressive.

Q. Let's talk about——

Mr. Ross. Could I just add something again? Because I'm concerned that you've prepared this exhibit—it obviously evidences some concern on behalf of the Committee, in the demographics that you see here. I just want to reinforce the point that Mr. Lamb made a moment ago.

There are people who crticized Charles for negotiating the kind of wage increases that he's negotiated—which have placed his union at the head of the HERE—from the standpoint that this will make the membership decline because people will not be able to pay the freight. That is an objective fact.

In other words, it's the progressive direction of the Local with respect to being aggressive in negotiations and enforcing the trust agreement and so forth, that some people have attributed as the source of the decline in the membership in the Union.

Mr. WEILAND. We're not attributing the decline to anything. I want you to understand that. We're simply exploring the idea.

Mr. Ross. I understand that. The other thing you have to understand is that Local, as I understand it—and Charles, you correct me if I'm wrong—with the exception of New York—is the Local which has the highest percentage of the restaurant industry and bar-tavern industry organized.

The WITNESS. I believe, percentagewise—and this is a rough guess rather than a fact—But I believe we have more restaurants and bars organized than any other HERE Local. I believe that to be true.

Mr. WEILAND. Well, San Francisco has always been a very pro-labor town.

Q. And there has always been a very high percentage of hotels organized in San Francisco; isn't that true?

A. Yes.

Q. Are you saying that, in your view, the percentage of organization is greater today than it was, say, five years ago?

A. No, I'm not saying that. And I think I've delineated some reasons why not—the large increase in gay and Latino bars, specifically.

Also, I think—I mean, I could go on. We spend quite a bit of time talking about this, because we are actively organizing and we are aggressive. MEBA has had an enormously adverse effect.

Q. I'm sorry. I don't understand.

A. The Multiple Employer Benefit Act of 1980 had a terribly negative effect on the organizing of restaurants; because the inherent withdrawal liabilities of MEBA make it very difficult for one person to sell a restaurant to another. It's very negative.

One of the restaurants—Arthur's in the Park—we won an election there. They steadfastly refused to take the pension because of MEBA; they stated that across the table. We struck them; they shut it down; and it's still boarded up. It's been two years. They had 50 people. And that's just one example.

There are a number of other things too. I think the whole question of this being a strong union town—the Board has changed its procedures now. It used to be that when you had an election before the Board——

Mr. Ross. National Labor Relations Board.

The WITNESS. National Labor Relations Board. Unless there was factual evidence, the Board did not proceed to hearing; the Board certified the election. We've just gone through two. And it's disgusting.

These were eight-day hearings where, frankly, the Board—one is Paprikas Fono and the other is the Haven. We won the election, I believe, in both of those places hands down. The law firm of Littler, Mendelson, Fastiff & Tichy filed something like 46 objections to the election; 30 of which were against the Board.

Mr. Ross. Accusing misconduct.

The WITNESS. Accusing misconduct of a Board agent. And we have to sit up here in a ———— hearing for—excuse by language—for eight days and listen to trash. I mean, there is no merit to these charges.

And then what happens is the Board is probably going to certify that election; they'll appeal it back to Washington; they'll appeal it on down there; they'll appeal it on over here; and five years from now—you know, off of nothing; because there is no substance to those charges—certainly not against the Board. And the majority of the charges against the Board, not the Union. will get certified as a bargaining issue; and by that time, the place will be gone.

And it's a very difficult environment. If there isn't some kind of labor law reform in this country, it's going to be very, very difficult for unions like mine to survive.

Mr. WEILAND. Q. Let's get back to this question of delinquent employer contributions of health and welfare fund.

A. Sure.

Q. You stated that you have been a very aggressive proponent of collecting those contributions.

A. Correct.

Q. Do you know a man by the name of Virgil Dardi?

A. Yes.

Q. Who is he?

A. He's the owner of a restaurant called Bruno's.

Q. Is that one of the restaurants that you have been successful in collecting delinquent contributions from?

A. I would think so. I would have to check the——

Mr. Ross. Can you speak now without looking at the records?

The WITNESS. I would think it would be. But I would have to check the specific records.

Mr. WEILAND. Q. You're really not sure whether you've collected delinquent contributions from Bruno's in the past, say, year and a half?

Mr. Ross. Mr. Weiland, you know, yesterday or the day before I asked specifically over the phone that, if you were going to get into any matters dealing with the administration of the trust funds—I asked you to alert me to that so that we could prepare and answer intelligently.

Mr. WEILAND. Well, it's my impression that he would have specific personal knowledge about this.

Mr. Ross. There are 600 employers in San Francisco, I believe, under contract with the Union. If you're asking the question here as to any one particular employer, about which we've had no knowledge ahead of time, I don't think you can hold the witness to——

Mr. WEILAND. Well, if he——

The WITNESS. Let me try to describe the procedure. That would be more useful.

Mr. WEILAND. No. Let's not do that yet. I'd rather work through this if we can.

The WITNESS. Sure.

Mr. WEILAND. I'm certainly not trying to elicit a response from you if you don't remember. If you don't remember just say that and I'll try to be satisfied.

Q. How long have you known Mr. Dardi?

Oh, I don't know. I don't know him——

Mr. Ross. Is that a question—how long has he known him personally?

Mr. WEILAND. Yes.

Mr. Ross. It assumes that he does know him personally.

The WITNESS. I do know him personally. I've known him, I would guess, three and a half years.

Could I take a two-minute break and go to the bathroom?

Mr. WEILAND. Yes. Off the record.

[A brief recess was taken.]

Mr. WEILAND. On the record.

Q. Now, Mr. Lamb, you've stated that you don't recall whether Bruno's Restaurant, that is owned by Mr. Dardi, is one of the restaurants from which delinquent contributions were sought; is that correct?

A. I don't recall specifically.

Q. Do you recall a discussion at a trust fund meeting regarding the question of auditing Bruno's?

Mr. Ross. When you say "trust fund meeting" what do you mean? Because there is a delinquents account committee within the trust fund.

Mr. WEILAND. I'm speaking of a board meeting of the trustees.

The WITNESS. There may well have been that discussion. It seems to me that I—and, again, I'd want to check the records. But there may have been an occasion.

Mr. WEILAND. Q. Now, our information is—and I will hasten to add it could be wrong—But our information is that, in fact, such a discussion was held and there was a vote taken on the question of whether to audit Bruno's. And the vote was seven to one in favor of auditing Bruno's; and you were the lone dissenter. Does that refresh your recollection at all?

A. No. Perhaps if I described the procedure.

Mr. WEILAND. OK. Why don't you go ahead and do that. You've asked to do that a couple of times.

A. The administrator—not the union—the administrator or the trust fund, through the administrator, sends out a certified accountant on a random basis, designed to cover all of the houses, as I believe, in a four-year period. It might be a three-year period. And they audit the individual house.

There are a number of rules within that. For example, if the delinquency exceeds a certain amount, then the house pays for the cost of the audit. If they go out and they audit somebody and they find they have paid every penny; then, obviously, the trust fund pays the cost of the audit. On the other hand, if the delinquency is significant, the employer then pays for all of the processes.

We have an expedited arbitration procedure; and what, normally happens is the administrator says that restaurant X owes so much money. They send a bill to restaurant X, restaurant X says, okay, here's the money or you've audited me wrong. I don't owe the money. It then goes to expedited arbitration, and the employer has the right to come before the arbitrator and say I don't owe the money because the auditor didn't know this or did the records wrong.

Sometimes there is a situation where an employer has gone out of business or something has happened; and the question is, what kind of moneys can you then extract from the estate or from the escrow or from whatever. As it happens, we have something called the "Delinquency Accounts Committee," which I don't serve on.

There is a representative from the Union, there is a representative from the other Union; because there are two unions on the trust fund. And there's two representatives from the employer that are the subcommittee of the DAC.

The DAC then brings forth recommendations which are—all of these recommendations are in the record, in the trust fund minutes, which you can read. And then the trustees vote whether to go forward and push super hard. For example, once in a while you'll find somebody has sold their bar and skipped town; you know, they're gone.

Well, how far do you take that? Do you search the far corners of the earth or not? Sometimes you do, sometimes you don't. If the cost is insignificant, you have to do the prudent thing. And obviously, if it's going to cost you $50,000 to recover $1,000, it's not prudent to spend that 50,000.

Sometimes there are some borderline cases. Normally, if we audit an employer and the employer is absolutely clean—which happens quite often. Many of the employers pay every penny they're supposed to. Then we only do a one-year audit. The presumption is if the person has been perfectly clean for a year, why do a four-year audit which costs a lot of money.

On the other hand, if an employer is significantly delinquent—and there's a statute of limitations as to how far you can go and what you can do and everything. But normally, then it's automatic, if an employer is significantly, to go back four years; you know, including the one year, we've already talked about—audit everything and try to collect all that.

Again you come to the question—audits are expensive. You're paying a certified public accountant. If you have a bar with three people: is it worth going back? And they've paid on two people but not on one—that's a 30 percent delinquency rate. Well, obviously that's a different magnitude than a hotel, let us say, with 800 employees, which might have 30 percent delinquency rate.

Obviously, it might not be prudent for the trustees to spend all the money to go back and pick up the health and welfare for this one person, perhaps. And we have counsel there, and counsel always tells us what to do.

So all of those factors are placed in the decision. I don't recall why—and it would be reflected in the trust fund minutes, you know, if I voted that way. I don't recall it; I honestly don't.

Mr. WEILAND. Would you look for those minutes and provide them to us, please.

The WITNESS. Sure.

Mr. WEILAND. Q. Let me get some clarification. You mentioned that there is a routine cyclical kind of audit process.

A. Yes.

Q. Are there other instances brought to the attention of the board of trustees which would lead you to initiate an audit?

A. Yes. There may be a situation where the Union, in enforcing the contract, may go in and find that a house has some significant number of people who aren't in the Union or who—when we compare the health and welfare records, the number of working there, for some reason, there seems to be a significant shortfall—we could request an audit.

Our rules are, we can request audits; but we can't stop audits. In other words, on the regular random program, the only option that the trustees have would be to go from a one-year audit to a four-year audit.

Q. Right?

A. But if a house is on the regular audit program, we can't stop that audit.

Q. OK. Now, on the audits that are initiated, say, at the suggestion of one of your business agents——

A. Right.

Q. Can you give us a ballpark figure for how many of those situations arose in the past year?

A. No. I'd have to take a look at the records.

Q. Would it be 50 or 10 or 150? Do you have any idea at all?

Mr. ROSS. Specifically, what are you asking about?

Mr. WEILAND. Audits which are initiated in some manner other than through the regular cyclical audit program.

The WITNESS. Well, since I'm not the—Most of those things would come up first with—would be referred to the DAC, the Delinquent Accounts Committee. And I don't serve on it. That's a subcommittee.

Mr. WEILAND. Q. But would the Board have to vote to approve such an audit?

A. Yes. Normally, in the DAC there is a discussion of what's happening, you know. And then at the bottom of the record it says "recommended expedited arbitration; recommended four-year audits," recommended whatever. And they don't break out. It doesn't say the Union recommended this one, or Trustee Jones recommended this one. It merely says that the DAC recommends that we go to these particular audits.

And in each category, there might be between five and thirty a month. And normally, if the DAC has recommended them—unless somebody raises a point—we don't discuss that.

We look at it and see that the DAC is recommending a four-year audit; and somebody may say, "well, gee, why are you auditing that one?" But normally, there's not that much discussion on it.

Q. There could be as many as thirty audits a month that the board of trustees is approving—is that your testimony?

A. Well, I may have somewhat overstated that. But, again, it would be reflected in the record. And just visually thinking back——

Mr. ROSS. Don't speculate.

The WITNESS. I won't speculate. There are quite a number: let's put it that way.

Mr. WEILAND. Q. Can you think of any audit that has been proposed by the DAC, that you have opposed, voted against?

A. No. Not right offhand.

Q. It would not be your normal practice to oppose the recommendation of the DAC, since you were aggressively pursuing these delinquent employers?

A. It would not be my normal practice; no.

Q. What would be the basis for your opposition?

A. I can't recall opposing it. I really don't. I just don't.

Q. Do you recall saying, Mr. Lamb, that "we cannot audit Virgil Dardi because he's the godfather"?

A. Absolutely not.

Q. You've never made such a statement?

A. Absolutely not.

Q. Do you associate Mr. Dardi with any criminal elements at all?

A. No.

Q. Have you ever heard that he was somehow involved in organized crime?

A. No.

Q. Have you ever accepted a campaign contribution from Dardi?

A. No.

Q. Have you ever accepted anything of value from him or any of his associates?

A. Not to my recollection; no.

Q. Well, would it be your practice to accept such a thing?

A. No.

Q. How about any other employer—did you ever accept a contribution, perhaps in connection with your campaign, from an employer?

A. No. I would refer you to the Department of Labor, in our first election; where they reviewed those records pretty carefully, as far as contributions.

Q. I have some figure here, the veracity of which is questionable—but it is possible to estimate the value of the delinquent contribtuions in the health and welfare fund? Is there some kind of a ballpark figure that you all have estimated the employers are behind in their contributions?

Mr. Ross. You mean total amounts?

Mr. WEILAND. Total amounts.

The WITNESS. No.

Mr. WEILAND. Q. Someone has suggested it could be as high as $850,000. Is that possible?

Mr. Ross. Well, what point in time? You mean the total amount of money outstanding potentially?

Mr. WEILAND. Yes. Today.

Mr. Ross. Or the amount which is involved in contributions from employers who are currently in the process of being audited? Or the amounts that have already been noted to be delinquent by audits?

Mr. WEILAND. Q. I'm really talking about potential delinquency. But if there is some kind of a target that you can tell us, in terms of actual identified delinquencies, I'd accept that figure too.

Mr. Ross. Do you have anything like that?

The WITNESS. Well, not in my head—I don't have that figure. We know from the audits what it is alleged that an employer may owe. And there are some number of employers that are paying off delinquencies through audits and through arbitrations.

Mr. WEILAND. Q. Would the DAC probably keep some sort of running tally of what that is?

A. Yes. Yes.

Q. Could you provide that for us, in terms of a current, as of today, the DAC's estimate?

Mr. Ross. Well, let us make one point. You're taking the deposition of Charles Lamb in, I presume, his individual capacity. You're asking for information from a jointly administered trust fund.

Mr. WEILAND. Well, he is the Chief Executive Officer of this local, and he serves as one of the primary members of the board of trustees in the health and welfare fund.

Now, if he doesn't want to get that information for us, we can find out whoever is the head of that committee and subpoena it. But I would think that it would be a relatively easy thing for him to do.

The WITNESS. I think what Matt is saying—first of all, on our trust fund there are four employers, there are three Local 2 people, and there is a Local 14 person. So I dont' even speak for 50 percent of the trust fund—I speak for less than 50 percent of the trust fund

I don't believe you would have any difficulty obtaining this information. But I think it might be—wearing my trustee hat—it might be improper for me to speak for the full board of trustees. That's all I'm saying.

Mr. Ross. What information are you requesting again?

Mr. WEILAND. The estimate of the DAC as to the current outstanding delinquencies for health and welfare contributions. And I'm not asking you even if this is the situation he's espousing.

Mr. Ross. Health and welfare?

Mr. WEILAND. Health and welfare contributions.

Mr. Ross. As distinct from pension and the other contributions?

The WITNESS. They would be co-mingled.

Mr. WEILAND. They would be co-mingled; wouldn't they.

The WITNESS. Yes.

Mr. WEILAND. So that would be a joint thing. You can tell us by letter if you can supply that or not. If you're unable to, we'll go either to the board formally, or to the DAC formally.

Mr. Ross. To my knowledge, there was recently—I think it was performed by Mr. Crook.

The WITNESS. Yes. Mr. Crook of the——

Mr. Ross. International Services Administration—did some audit.

The WITNESS. Yes.

Mr. Ross. Would that information be available through Mr. Crook?

Mr. WEILAND. To us? Yes, it would. And we can discuss the matter with him too.

I just have a few more questions, and then we'll take a break. Mr. Faulkner and I will confer then, and we can finish up.

Q. Turning to the international, per se—it's a matter of interest to us as to whether you are familiar with the current salaries paid to the General President and to Mr. Leavitt and to Mr. Sirabella.

Do you have those figures in your head?

A. No.

Q. Do you have an estimate or approximate figure you could give us?

A. No.

Q. You're totally unaware of what the International Union pays Mr. Hanley?

A. I think what I said earlier was that, I believe that was voted on at the International convention—which I attended and heard, as a delegate to that convention. And I could probably go back and research the minutes of the International convention and find out.

Q. No. That's not necessary.

A. But I don't carry those figures around.

Q. Do you have knowledge of the International's entering into lifetime guaranteed contracts with some of the International officers.

A. Yes. It was voted on at the International convention.

Q. Was that 1981?

A. I think so.

Q. And did you vote?

A. We all voted.

Q. In favor of such a move?

A. Yes.

Q. OK. What reason did you vote for it? What was your reason for adopting such a measure?

A. What was my reason for adopting such a measure?

Q. Your personal basis for that.

A. Well, that's a good question. I think that, when I see the kind of salaries that executives who run major companies and the kind of salaries that they get; it didn't seem, as I recall it, out of line with that. I think that that's a highly responsible position, with a lot of—I know how much responsibility being president of the Local Union is.

It's very difficult to determine what a union official will get. I think I'm one of the lower paid union officials. And many people have said to me, "Gee, Charles, you ought to get a lot more money than you do, for what you do." Well, maybe I should. How do you make that determination.

I think that, as I recall at the time, that it seemed commensurate with the kind of duties that he does.

Are you aware that Mr. John Gibson has been convicted of a crime and is serving a sentence?

A. Yes.

Q. Do you know Mr. Gibson?

A. I've met Mr. Gibson.

Q. Are you aware that he's drawing on this guaranteed salary right now today?

A. I'm not aware of that or unaware of it.

Q. If that were the case—and I'll represent to you it's our understanding that that is true—does that bother you in any way?

A. Well, there are aspects of that that give me pause. And I guess that's the best way to put it. I think, in these kinds of proceedings there is tendency to have yes and no be acceptable answers. I think there are a lot of answers that are a lot more complex than yes or no. I would say it gives me pause.

Q. Have you ever expressed any dissatisfaction with that situation to, for example, Mr. Hanley or Mr. Sirabella?

A. No.

Q. Are you aware that the International has purchased a condominium in Washington, D.C.?

A. No.

Q. Is that something that—Well, strike that.

Let me represent to you that our information is the International has purchased a condominium for approximately $330,000 in Washington. Does it surprise you that that's something you were unaware of?

A. Well, I don't know how to answer that question.

Mr. Ross. Can we ask you, since you're the dispenser of the knowledge; what was the purpose of the condominium? Was it for offices? What kind of condominium is it?

The WITNESS. Really.

Mr. WEILAND. It's an apartment, as I understand it. And I don't know what it's used for. I was hoping that he could explain it to me.

Mr. Ross. He said he doesn't have knowledge of it.

The WITNESS. I don't have knowledge of it.

Mr. WEILAND. Q. And it doesn't surprise you that such an asset is owned by the International without your knowledge?

A. I'm not an International officer; I'm not on the Executive Board of the International Union. I don't know why——

Q. So your answer is: No, you're not at all surprised?

A. Well, the way you phrased the question, it makes it sound as if—You know, you told me something I didn't know before today. You haven't defined, in any way, shape, or form, what the purpose of this thing is for. And you're asking if I'm surprised that the International should have purchased something. I don't know.

Mr. Ross. "Surprised" is sort of an ambiguous question.

The WITNESS. Really.

Mr. Ross. What does "surprised" mean? You're asking him is he shocked, dismayed, gives him pause? You know, it's sort of an ambiguous question.

Mr. WEILAND. Q. All right. The International has also purchased a school house in Washington for approximately one million dollars. Are you aware of that?

A. I'm aware of that; yes.

Q. Are you familiar with the International's plans for that property?

A. I have a vague understanding that it may be used as a headquarters building.

Q. Does the International plan to move its headquarters from Cincinnati to Washington?

Mr. Ross. To the extent that he knows?

Mr. WEILAND. That's the question, obviously.

The WITNESS. I've heard that that's been discussed.

Mr. WEILAND. Q. Mr. Lamb, I want to tell you that this kind of a discussion is a learning process for us. Now, you are the president of one of the largest Locals in the country; is that right?

A. Yes.

Q. OK. So we are trying to establish, generally speaking, the relationship between the heads of the largest Locals in the country and the International.

A. I see.

Q. If you don't know, or are not familiar with the activities of the International; I'm not suggesting there is anything nefarious about that. I'm simply trying to establish the extent of your knowledge of actions on the part of the International.

A. The problem I have—and I see it in our own Local Union. We will have a discussion of the officers, in which we'll discuss different ways of approaching a problem. We may discuss ten different ways of approaching a problem.

It's very common for me to walk around the office a week later and find that one of those options, which perhaps is not even the option we chose, has somehow—you know, it's a small office—word gets around. Somebody says, "I hear you're going to do this." I say, "No, we're not going to do that. Sure, we discussed it at one point in time and space."

So I guess what I'm saying is that, I'm not conversant with the daily activities.

Q. All right. Let me ask you this: Do you know of a William L. Meyers, who administers the International's health and welfare fund?

A. I have met him once or twice; yes.

Q. Where did you meet him?

A. In San Francisco.

Q. What were the circumstances under which you met Mr. Meyers?

A. He made a presentation to the trust fund.

Q. Would you just briefly describe the presentation and the timing of this thing.

A. Well, we were changing our investment manager. We went from, I believe, Wells Fargo Bank to Atalanta Corporation. And our standard procedure is to ask a number of people to bid.

For example, we just did the dental plan. And we asked everybody who might conceivably do the dental plan to make a presentation. We asked them a bunch of questions, we put it on a spread sheet; we look at the spread sheet, we try to narrow it down to two or three; and then we come in and ask them very specific questions. And that's the way we're able, hopefully, to get the best plan for the money.

Mr. Meyers was one of a number of people who, at the time we were transitioning from Wells Fargo to Atalanta, as I recall it, made a presentation. And he did the standard kind of thing—if you did this, I'd do that. And we said, well, you know, how much would you charge and what would you do and blah, blah, blah—that kind of thing. And ultimately, I ended up with Atalanta.

Q. Was this after you were president, that he came in?

A. No; I don't believe so. I believe it was when I was Director of Education.

Q. Do you know who asked Mr. Meyers to make his presentation; come to San Francisco?

A. I don't know specifically. I think that, as the Director of Education, I reported to the trustees and reported that we were in the process of asking for bids. And I think, through that process, Mr. Meyers asked if he could submit his bid, and we said yes.

Q. What is your best recollection of how you became acquainted with Mr. Meyers and brought him in? Was he recommended by, for example, Mr. Sirabella or someone?

A. I think that Mr. Sirabella may have said to me something like "who do the trustees plan to interview?" I said, "Well, so far it looks like we're going to interview these"—whatever number it was—four, five, six, seven. And he may have said, "Mr. Meyers would probably like to bid." And I said, "Well, he should send a letter to the consultant; and then he can bid."

Q. Who is the consultant?

A. Barbanell Associates.

Q. Did you ultimately make some recommendation in your capacity of Director of Education, as to which company you should go with?

A. Yes.

Q. Who did you recommend?

A. I believe Atalanta. They've done a wonderful job for us.

Q. I take it Mr. Meyers was suggesting that you should merge your fund with the International's and let him operate it the way he is operating other merged funds.

A. Well, it's been a long time. And at any given one of these things, there are six to ten people coming in; and they always have very complicated, long, very detailed bits and pieces. So I don't recall the specifics of Mr. Meyers' proposal.

It was not, in any event, one that won the bid. The trustees did not vote for Mr. Meyers. So whatever he said—it wasn't adequate to sway our thinking.

Q. Meyers' proposal was in conjunction with administering your health and welfare fund; is that right? Or was he talking about just a dental plan?

A. No. I think—and, again, this is 1978 or '79. And we've done this same process now—well, we do it every year for somebody. We do it for the health insurance—we have two health plans; and we do it for the indemnity carrier for the health plan. We have three dental plans. So we put a lot of effort into getting the best possible thing. And that's why we ask a lot of people to come in and make a presentation.

So I honestly don't recall any specifics at all about what he said; except that, whatever it was, it wasn't acceptable to the trustees. When I say "not acceptable"—we thought somebody else was better. I don't mean there was something wrong with what he said.

Q. The Subcommittee has heard testimony regarding an interest on the part of the International to merge funds; both health and welfare funds and pension funds. Indeed, I think Mr. Hanley has said publicly that he is very much interested in that.

Is that something that has been discussed by your Executive Board since you've been president?

A. No.

Q. Has it been discussed in your trust fund meetings?

A. No. We do have—In the Bay Area, we have what's called a TC, a traveling card. It's not uncommon for a fair number of people to go to Oakland or San Francisco to San Mateo and back again. And we have had some discussion on a reciprocity situation; where a worker who works in San Mateo for nine years and comes to us, maybe could—or vice versa.

On the whole, the trustees have not—we brought that up. It's not a merger situation. It's what you'd call a reciprocity situation; and would not involve the merger of the funds at all. And we haven't discussed it in those terms.

We have tried to find a way so that somebody can carry their benefits with them. But there has never been any discussion of merger. And my internal sense is that, the employer trustees and the other Union, Local 14, SEIU, would be very much opposed to any merger.

Frankly, I don't think there is any particular sentiment in Local 2 for a merger. But even if there was, I don't think it'd be very likely that it would happen. We haven't really ever raised that issue.

Q. What about your own views on that? Have you ever advocated merger yourself?

A. No. Pension is something that I'm not an expert on. But I was appointed to the Governor's committee on public pension investments. And it's an area I spend some time thinking about. And what I espouse might be called social investment. Which is the whole idea of why send our pension money to Taiwan to support a factory in Taiwan? Why can't we put our pension money into California—hopefully San Francisco—but if not San Francisco, then California—make a good return and at the same time generate jobs in California. I've been a very strong advocate of that. And I suggest that's why I was appointed to the Governor's committee.

But I've never advocated merging our trust fund with anybody's trust fund.

Q. And at the present time, at least, you would be opposed to such a thing?

A. I would be opposed to it. On the other hand, ERISA says that I must be prudent. Ok? And that's a very vague definition of something.

If someone were to come to me and demonstrate to me conclusively that it was prudent for me and beneficial to my members to do something, I would, under the law, be forced to consider it. I would not be in favor of it at this time.

Q. Have you ever discussed merging—either pension funds or health and welfare funds—with Mr. Hanley?

A. Not that I can recall.

Q. How about Mr. Sirabella or Mr. Leavitt?

A. Not that I can recall.

Q. Do you know a man by the name of Lou Field?

A. Yes.

Q. Who is he?

A. He's a bartender, as I understand it.

Q. Where is he located?

A. I don't know.

Q. How long have you known him?
A. I knew him very briefly. He came out during the campaign, said that he was a bartender, said that he——
Q. This is the most recent campaign, 1982?
A. Yes. He was around the Union hall, got a job, and sort of disappeared.
Q. Did he come to San Francisco equipped with a letter from Mr. Hanley or some International officer?
A. Not to me.
Q. You never saw such a letter?
A. No, I didn't.
Q. He just showed up and was looking for a job as a bartender.
A. Yeah.
Q. Did you help him get a job as a bartender?
A. I didn't myself, help him get a job. I sent him down to Dispatch and asked the dispatcher if he could help him. I do that probably about twice a day. Somebody comes to my office, and I take them down to the dispatcher and say, "Can you help this person out?"
Q. Did he end up working on your campaign?
A. A lot of people did. Yes; he was one of the volunteers on the campaign.
Q. And did he just disappear now?
A. I haven't seen him in a long time.
Q. Was he on the payroll of the International?
A. Not to my knowledge.
Q. Did he ever tell you that he was?
A. No.
Q. Did you ever hear him say that he was on the International's payroll?
A. No.
Mr. WEILAND. OK. Let's take about five minutes, if we can. And I think we're ready to wrap up.
[Whereupon, a brief recess was taken.]
Examination by Mr. Faulkner:
Mr. FAULKNER. Q. Do your Bylaws call for an itemized annual inventory of the assets of the local?
A. I believe so; yes.
Q. And is, in fact, that annual inventory done?
A. Yes.
Q. And you would have the records of that?
A. Yes. Under the Bylaws, the secretary-treasurer and the trustees, I believe, conduct that. And they go around and count the desks and chairs and stuff. And to the best of my knowledge, that has been done; and I believe that is available.
Q. OK. Could we have those for the period from 1979 to the present, for the record?
A. I believe so.
Q. OK. Is there any outside audit conducted——
Mr. Ross. From 1979 to date?
Mr. FAULKNER. To the present; yes.
The WITNESS. Yes, I believe so. We have an inhouse bookkeeper, who is a member of the Office and Professional Employees Local 3. And we employ a firm—I believe their name is Tripodes & Lowe; they're certified public accountants. They come in both on a quarterly and an annual basis and conduct an audit.
Mr. FAULKNER. Q. Financial reports—I assume that they're done on a monthly basis or quarterly.
A. Well, I'm not the secretary-treasurer; so the technical parts of that slip by me a little. And my answer may not be totally accurate on the technical ends.
As I've said, we have the auditors yearly and quarterly reports done by Tripodes & Lowe. We do an in-house financial report on a monthly basis; yes.
Q. But there is a report that is supposed to be made to the International on a regular basis; is that correct?
A. Yes. We conform with that.
Q. Is that ever late, to your knowledge?
A. Is it ever late?
Q. Yes.
Mr. Ross. Do you mean, has it ever been late in the past?
Mr. FAULKNER. Since he's been the president.
Mr. Ross. That goes back four years.

Mr. FAULKNER. To his knowledge.

The WITNESS. Yes, it could have been.

Mr. FAULKNER. Q. Is it possible that it was four to eight months late at any time?

A. Eight months seems a little long to me. But it might have been four months late; yes.

Q. Can you give any explanation why it would be that late?

Mr. ROSS. Do you know what he's talking about?

The WITNESS. If he's talking about the per capita report——

Mr. ROSS. Can you tell us what report you have information on. Maybe that will help him answer the question.

Mr. FAULKNER. Q. Well, there is a regular financial report made to the International; correct?

A. Yes.

Q. On what basis? Is that quarterly or monthly?

A. I believe it's monthly.

Q. Right. And has that, to your knowledge, ever been late?

A. I think it has; yes.

Q. And, again, you said probably as much as four months, at least, late; right?

A. It could have been four months late; yes.

Q. My question, again, is: Do you have an explanation of why it would be that late?

A. Well, my understanding of that report is that it goes in with the per capita report to the International. The real answers to those questions, I think, would be from the secretary-treasurer—she handles all the money. And constitutionally, I don't have anything to do with the money.

I'm not trying to duck the question; I just don't understand, technically, the——

Q. As Chief Executive Officer of the Union, you're more or less responsible to see that these precedures are followed on a timely basis; isn't that correct?

A. Well, except in terms of money—which is the secretary-treasurer's responsibility.

Q. This is not money; this is a report of the Local.

Mr. ROSS. In fact, have you had a division of labor that would share the responsibility for those reports?

The WITNESS. Yes.

Mr. FAULKNER. Q. To your knowledge, has the International ever sent you any documents or letters of complaint about the tardiness of the reports?

A. Yes; I think they may have.

Q. And were those addressed to you or to the secretary-treasurer?

A. Secretary-treasurer, I believe.

Q. And did you ever inquire as to what the reason was for this tardiness?

A. We try to keep the finances as up to date as possible. We have fairly large organization. In this industry, dues collection is a difficult problem—we do have a checkoff. And we, from time to time, have to get out and do what we call sweeps and things—bring the money up to date, because the members are late in paying their dues. That would be the primary reason.

Q. OK. So that would be the same thing for the per capita tax—the tardiness of submitting that to the International.

A. Correct.

Q. So if that's an industry-wide problem, then I assume that those same problems would be with other Locals as well, not just the San Francisco Local.

A. I have no way of knowing that.

Q. Is it true that there was a delinquency in the Local's per capita tax in the last, say, two years?

Mr. ROSS. What do you mean by "delinquency"?

Mr. FAULKNER. Q. Well, that the tax that was owed to the International was not paid on a timely basis; and, in fact, was part of a loan that came from the International.

A. We did get a loan from the International; yes. And from time to time, we've lagged behind on paying our per capita; yes.

Q. Wasn't a portion of that loan deducted to make up for the per capita tax?

A. I believe so. But I think, to be absolutely accurate, you should check with the secretary-treasurer.

Mr. Ross. Mr. Faulkner, there is no intention to try and avoid answering your questions—it really is the case that, under the Bylaws and in practice, Charles has less responsibility in these areas than does the secretary-treasurer of the Union. And if you'd like to serve her with a subpoena, she'd be happy to appear here before you; and can answer these questions with greater specificity and in much more detail than Mr. Lamb.

Mr. FAULKNER. OK. Fine.

Q. Do you have any information regarding a requirement that the trustees sign a monthly report?

Mr. Ross. Monthly report to what?

The WITNESS. No, I don't.

Mr. FAULKNER. Any monthly report.

Mr. Ross. That the trustees——

Mr. FAULKNER. That the trustees are required to sign.

The WITNESS. Are you talking about the trustees of the Union?

Mr. FAULKNER. Of the Local; yes.

The WITNESS. Yes. That is run through the secretary-treasurer's office.

Mr. FAULKNER. Q. Were you ever offered a position with the International?

A. No, I was not.

Q. Was there ever any discussion with Mr. Hanley or Mr. Sirabella about such a possibility?

A. No.

Q. Did you ever attend a meeting with any of those individuals in Palm Springs?

A. The International Union has a yearly International Executive Board, which is open to officers of local unions to attend and report. And I have attended three.

Q. Did you have any discussions with Mr. Hanley or Mr. Leavitt or Mr. Sirabella at one of those occasions, regarding the possibility that Mr. Contreras would replace you as the head of the Local and you would have an International position?

A. Absolutely not.

Q. None at all. You've never heard any discussion by anyone as to the possibility that Mr. Contreras might replace you as the head of the local?

A. No.

Q. Are you opposed to the amendment to the Bylaws that would require the election of business agents?

A. Yes.

Q. Was that, in fact, passed by the membership and sent to the International?

A. Yes.

Q. And did you request that Mr. Hanley refuse to honor that amendment to the Bylaws?

A. It was sometime ago. I don't recall if I specifically spoke to Mr. Hanley on that. I opposed it at the meeting that it was passed at. And my position is fairly well known on that. So Mr. Hanley may have been acquainted with that through that.

I can't recall if I specifically said to Mr. Hanley, at some point in time and space, whether I thought he should oppose that.

Are you interested in the reason why I'm opposed to elected business agents?

Q. No.

Mr. Ross. The Committee would have no concern about the philosophy of that, I guess.

Mr. WEILAND. No. I think it's probably pretty apparent why he would oppose it.

The WITNESS. It should be pointed out that when I ran with McDonald, that I was in favor of elected business agents. That's when I was a rank and filer. I was on record when I ran with McDonald as being in favor of elected business agents. That was the position we ran for the Union on.

In my experience in the year as Executive Vice-President and Director of Education for the Union and through discussions with other unions outside of Local 2; I began to feel—and feel today—that you have diminished accountability with elected business agents and you have diminished expertise with elected business agents.

I'm somebody that came out of the rank and file and was put in a position of high authority, with very little training. And it's taken me a long time to learn my job. It's a very difficult job. I'm not sure that, you know, I totally know everything yet. It may be a long time before I do.

But at least everybody knows who I am and that I am accountable. And I think that to politicize the handling of grievances and the enforcement of the contract—which is the primary function of the business agents—in my mind, leads to improper handling of grievances, favoritism, and a number of other bad situations.

I think it's far better to have an accountable Chief Executive who can be voted out by the membership if the grievances are improperly done, and a technically trained, highly competent staff, who knows the law, who knows the Board, who knows the Labor Commissioner, who can properly process grievances.

We have, in fact, a monthly training session for all of our staff. It's on the second Thursday of each month. The last one we had was a three-hour session on grievance handling. And we do as a regular part of our program—is to train our staff. Because the laws today, the kind of problems you run into today, are extremely complex. And frankly, to elect a rank and filer because they may—And I've been elected three times—once as a rank and filer—because they may happen to espouse a popular political position at the time, does not qualify one to be an adequate grievance handler, in my opinion. And that's the reason I'm opposed to it.

Mr. FAULKNER. Q. Just a couple of other quick things. One—I would like to go back to the problem of the timeliness of the per capita tax payment.

If you were delinquent in that, say, for a two-month period; couldn't that subject you to a trusteeship on the part of the International?

A. I believe that—I don't know whether it's two months, or what the period is, frankly. And I would have to look at the International Constitution to tell you specifically.

But I know that financial problems are one way that you can be trusteed; yes.

Q. Isn't that of some concern to you as the Chief Executive Officer?

A. Absolutely.

Q. The other thing I'd like to go back to is your discussion of the contract negotiations.

A. Yes.

Q. Prior to your election as Executive Vice-President, did you have any experience in negotiating contracts?

A. No.

Q. OK. And did you have any as Executive Vice-President?

A. I participated, initially, in the health and welfare negotiations—which I led—which led to an arbitration. It was a negotiation with an arbitration clause. And I was the lead negotiator in that.

Also, we had a wage reopener—which, in the hotel contract there was a five-year contract with a one-year reopener last year. And I participated in the negotiations which led to an arbitration in that.

In addition to that, we had participated—not directly—but in the Bay Meadows Race Track and in the hospital cooks' negotiations. And I had also negotiated some small contracts of rather less significance than the hotel contract. So I had had that kind of experience.

Clearly, this was a very important contract; and the assistance that various people gave me was important. Ultimately, though—as is the case—the final decisions for when to go forward and not to go forward, or things, rested on me.

Q. So you would say you were the chief negotiator of that contract.

A. Absolutely.

Q. And Mr. Sirabella gave you some assistance on that contract, I take it.

A. Yes.

Q. Who made the decision to ask Mr. Hanley to come in and help?

A. I don't recall specifically who made that. We had been out there for a long time. Things were pretty tough out there. And we had already attempted, as I said, the mayor and the labor leaders from San Francisco; and that had not produced significant results. And we were trying one more alternative to see if we could resolve the strike.

Q. Do you recall having a discussion with Mr. Sirabella about Mr. Hanley coming in to help?

A. That may well have been where it was; yes.

Mr. FAULKNER. That's all I have.

Examination by Mr. Weiland:

Mr. WEILAND. OK. I have just three quick things. I'd like to enter into the record as Exhibit 2, a copy of the Notice of Deposition and Subpoena.

[The document referred to was marked Exhibit No. 2 for identification.]

Q. And I'd like to ask quickly, Mr. Lamb—Do you know Frank Marolda, who is the head of the San Jose Local?

A. I've met Frank, I suppose, five or six times.

Q. He's under federal indictment again. Have you ever discussed merging your Local with Mr. Marolda's Local?

A. No.

Q. Do you know Ray Lane, who is also under indictment again? He's the former head of the Oakland Local.

A. I met Ray Lane once.

Q. When was that?

A. It would have been, I think, in 1979.

Q. Did you ever discuss merging your Local with the Oakland Local?

A. No.

Q. Lastly, I want to ask you about a position which has been espoused by Mr. Kirkland, head of AFL–CIO—and prior to Mr. Kirkland, George Meany and others. It has to do with the responsibility of a union official who holds a fiduciary position to testify as to matters relating to that position.

Mr. Kirkland, as recently as approximately a year ago, testified before our Committee that he continued to believe that there was such an obligation, given that the line of questioning was appropriate.

Do you share in Mr. Kirkland's view on that?

A. Yes. I think so. I think that one of the things that I've tried to do in Local 2 is to run the most open possible Union. We put the finances of the Union in the Union newspaper and mail it to all the members. We're extremely accessible.

I'm very proud of Local 2. I think that we stand for—We've taken some positions—I mentioned Gay Freedom Day parade, which is not the biggest issue in the world, but is certainly an issue. And we took a very strong position on the Simpson-Mazzoli Act, in terms of immigrant workers, undocumented workers, which was reported nationally.

I think that Union officials have to be ready to answer their critics, answer questions, and speak forth. I think that I came out of a very progressive rank and file caucus; and we've tried very hard to make Local 2 progressive and open.

I think there is, at times—and I spoke about the problems with the National Labor Relations Board—I think in these times, that it is often very hard to be a union official because there are so many red tapes and other things acting against you.

I know that my Union—I put a thing in my column as president. I say "it's the best damn Union in San Francisco." I believe that; and I believe it sincerely.

I have spoken in front of—never in this fashion. But I have spoken in front of city legislators, I have spoken in front of state legislators. I took a position at the AFL–CIO National convention—talking about the PATCO workers—that was not opposed to the AFL–CIO, but perhaps—there were only four of us that spoke for a stronger position there.

I think that, yes, union leaders should speak out and should be scrutinized; and I believe that.

Mr. WEILAND. Well, I want to say, on behalf of the Subcommittee, that we appreciate your appearing here today and answering questions.

And I will tell you that this has not been our experience across the board with respect to your Union. In fact, we have had International employees, for example, invoke the Fifth Amendment on very basic fiduciary questions. And it's reassuring to have you testify here today and answer our questions.

I have nothing further. And at this point, I think we can close the record.

The WITNESS. Thank you very much.

[Whereupon, at the hour of 11:50 a.m., the deposition was concluded.]

CERTIFICATION

I, Sharon Eittreim, C.S.R. License No. 5468, a Notary Public in and for the County of Napa, State of California, do here certify:

That, the witness, Charles Lamb, in the foregoing deposition, was by me duly sworn before testifying in the said deposition; that the same was taken before me at one time and place therein named: and

That, the same was taken in shorthand by myself, a Certified Shorthand Reporter, and was thereafter transcribed into typewriting and read to or by the said witness, and being corrected in all particulars desired, was subscribed.

In witness whereof, I have hereunto set my hand and affixed my official seal of office this 25th day of March, 1983.

SHARON ANN EITTREIM,
Notary Public.

NEYHART, ANDERSON, NUSSBAUM, REILLY & FREITAS,
ATTORNEYS AT LAW,
San Francisco, Calif., May 10, 1983.

Re: Deposition of Lamb.

S. CASS WEILAND,
Chief Counsel, Subcommittee on Investigations, U.S. Senate,
Washington, D.C.

DEAR MR. WEILAND: Enclosed please find a copy of corrections to the deposition of Lamb taken March 24, 1983, in San Francisco.

Please also find enclosed a copy of the Minutes of the Executive Board where a motion was made to request administrative assistance, a copy of the minutes of the Trust Fund where the subject of Bruno's Restaurant was discussed and a copy of the 1980 inventory of Local 2 assets. These items are referred to in Lamb's corrected deposition and your letter. The other items requested either do not exist or are the subject of continuing inquiry.

Please also note our continuing desire to be notified of any plans by the Committee to conduct further hearings that may involve Local 2. Thank you.

Very truly yours,

MATTHEW D. ROSS.

BEFORE THE U.S. SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS

Deposition of Charles Lamb, March 24, 1983. Corrections to deposition of Charles Lamb, declaration of Charles Lamb.

Now comes Charles Lamb and declares as follows:

1. My name is Charles Lamb and I was deposed on March 24, 1983, pursuant to a subpoena served upon me by Chief Counsel of the Subcommittee on Investigations, S. Cass Weiland.

2. Incorporated herein are corrections which I request be made by the court reporter-officer, to the original of my deposition. Each of these corrections is necessary in order that my answers to the specific questions referred to be accurate and complete.

I declare under the penalty of perjury that the statements made in this declaration are true and accurate and that this declaration was executed at San Francisco, California, on May 12, 1983.

CHARLES LAMB.

CORRECTIONS TO DEPOSITION

1. At page 39, line 11, delete the word "No" and substitute the following answer:

"Having reviewed the minutes of the San Francisco Culinary Welfare Fund for April 24, 1980, I note that the Trustees discussed recommendations made by the Delinquent Accounts Committee set forth in a written report. That report concerned Bruno's Restaurant and other restaurants and I voted against accepting and approving the recommendations of the Delinquent Accounts Committee set forth on pages 2 and 3 of the Delinquent Accounts Committee Report.

2. At page 44, line 25, delete the entire answer, substitute the following:

"Please see my answer at page 39."

3. At page 58, line 25, add after the word "No" the words:

". . . that I recall."

4. At page 62, line 22, delete the deponent's entire answer and substitute the following:

"At the time this question was posed by the committee's investigator, I was under the mistaken impression that the by-laws require that the Secretary-Treasurer and the Trustees perform an annual inventory of the union's assets, and that these inventories have been taken each year. Subsequent to my deposition, I checked the by-laws and conferred with Sherri Chiesa, the Secretary-Treasurer. In fact, the by-laws provide that only the Trustees, not the Secretary-

Treasurer, are responsible for the inventories of assets, and that the last inventory located in our files was performed by Trustee John Orler, with assistance by Ms. Chiesa, and the executive board member, Mr. Hilliard DeTherien, in 1980.

5. At page 68, line 8, delete the entire answer and substitute:

"The by-laws provide that the Trustees have responsibility for these reports."

[The items referred to in the May 10, 1983, letter from Matthew D. Ross, Esq., to S. Cass Weiland, pertaining to the deposition of Charles Lamb, follows, except for the 1980 inventory of local 2 assets, which are retained in the files of the subcommittee.]

EXHIBIT A

S. F. ADMINISTRATORS, INC.,
San Francisco, Calif., May 12, 1980.

BOARD OF TRUSTEES,
San Francisco Culinary, Bartenders & Service Employees Welfare Fund.

GENTLEMEN: Enclosed please find a copy of the Minutes of April 24, 1980, which will be discussed at the meeting to be held May 29, 1980, for any necessary corrections.

Yours very truly,

NORMAN WEERSING,
Account Executive.

Enclosure.

SAN FRANCISCO CULINARY, BARTENDERS & SERVICE EMPLOYEES WELFARE FUND

MINUTES

Date: April 24, 1980.
Time: 9:40 a.m.
Place: San Francisco Hilton Hotel, Whitney Room.

Trustees present: Union—Charles Lamb, Chairman, Sherri Chiesa, Larry Tom, Philip Deredi, Mike Koblentz, Alternate; Employer—Guy Leonard, Secretary, Douglas Cornford, James Smith, J. Robert Snyder.

Others present: Roland C. Davis, Esquire, Geoffrey White, Esquire, Clifford Barbanell, Consultant, Peter Wilson, Consultant, Nancy Skelly, S. F. Administrators, Inc., Norman Weersing, S. F. Administrators, Inc., Kirsten Brooks, S. F. Administrators, Inc.

The meeting was called to order by the Chairman, Charles Lamb.

1. Minutes

Motion made, seconded and passed that the Minutes of March 27, 1980 be approved. Leonard/Deredi.

2. Contract Administrator's Report

(a) *Vacation Benefits.*—Motion made, seconded and passed to approve vacation payments as presented. Chiesa/Tom.

(b) *Disability Benefit Payments.*—Motion made, seconded and passed to approve disability benefit payments. Leonard/Chiesa.

(c) *Delinquent Accounts Committee Report and Recommendations.*—Motion made, seconded and passed that the Delinquent Accounts Committee recommendations on Page 1 of report and that part of Page 2 applying to the High Tide and the John Bull be adopted by the Board of Trustees. Leonard/Deredi.

Discussion ensued with Mr. Snyder asking how the Committee determines which option to exercise, e.g., whether to take civil action versus action before the Labor Commissioner. Mr. Leonard responded that civil actions are taken in the case of large situations whereas the Labor Commissioner is the usual first step used in the case of smaller delinquencies. Expedited arbitration is a more rapid means of getting the people involved to settle before an independent third party. In response to Mr. Snyder's question as to whether expedited arbitration was done solely on the advice of counsel, Mr. Leonard said that the Committee can make the decision.

Mr. Leonard commented that there was a recommendation passed on a report from Mr. Koblentz, Business Agent for Local 2, that a Harris, Kerr, Forster & Company payroll audit be initiated on Bruno's and the New Lodge. Mr. Leonard

requested a report from the Administrator at the next meeting on the progress of the regular payroll auditing program.

Chairman Lamb called for an executive session, from which there was no report.

Motion made, seconded and passed to accept and approve the recommendations of the Delinquent Accounts Committee on Pages 2 and 3 of the report. Leonard/Chiesa.

Chairman Lamb voted "no," all others, "aye."

Discussion ensued regarding New Lodge with Mr. Leonard commenting that this is one where the employees were interviewed by Mr. Koblentz. It was reported by the employees to Mr. Koblentz that for several pay periods cash payments were being made and therefore there were no payroll records to be audited. Mr. Koblentz felt this is a case for the Labor Commissioner. Mr. Cornford said the employer still has to keep records and that we should turn New Lodge over to the Internal Revenue Service. Mr. Deredi agreed and elaborated that if the employer pays some of the time in cash it has to be reported to the Internal Revenue Service and to the Franchise Tax Board. Mr. Leonard questioned as to whether notifying those agencies was the responsibility of the Trust; contract enforcement is a responsibility of Local 2. Mr. Cornford replied that if the employer is not keeping records we cannot do an audit.

Motion made, seconded and passed that Harris, Kerr, Forster & Company do an audit on New Lodge. Smith/Deredi.

Mr. Leonard mentioned that Mr. Jacobs has requested of the Delinquent Accounts Committee that periodically S. F. Administrators give Local 2 a computer tape of those members for whom contributions are being received so that Local 2 may determine that all members who are being reported are paying dues to Local 2. Mr. Leonard felt that such a request has to be acted on by the full Board of Trustees. Ms. Chiesa reported that previously Kaiser provided these tapes to the data processor for Local 2. Mr. Leonard asked Mrs. Skelly if there was any additional cost to provide such tapes; she replied, "No."

Mr. Snyder asked about what had been done about auditing Grison's, Mr. Leonard responded that Mr. Galarza had been asked to pursue this with Harris, Forster & Company. Mr. Snyder asked if it was approved by the Committee; Mr. Leonard responded affirmatively.

Motion made, seconded and passed to approve recommendation of the Committee that Mr. Galarza expedite the Grison's audit by Harris, Kerr, Forster & Company. Deredi/Tom.

Motion made, seconded and passed that the recommendations of the Committee respecting awards issued by the arbitrator concerning the Old Poodle Dog, Paoli's and Bacchini's, be approved. Chiesa/Tom.

Motion made, seconded and passed that the benefits of the employer, at Mitch's, be terminated. Leonard/Deredi.

Motion made, seconded and passed that the benefits of the employer, at Pop's Club, be terminated. Leonard/Deredi.

Motion made, seconded and passed that the Ticker Tape Room be audited. Leonard/Deredi.

(d) *Delinquency Write-Offs.*—Motion made, seconded and passed that the recommended write-offs be approved with the stipulation that a committee chairman and secretary be appointed to meet with the David Welch Company to see if anything further can be done to collect these accounts. Leonard/Cornford.

After reviewing Attorney Bowen's letter of recommendation on the defunct Minerva Cafe,

Motion made, seconded and passed to accept the $1500 offered as settlement in full of contributions owed. Leonard/Tom.

Motion made, seconded and passed to accept counsel's recommended settlemen on the Road Runner Club in the amount of $1500 against the claim of $3750 with the understanding that counsel will inform the Trustees of the terms of the payment schedule. Chiesa/Snyder.

(e) *March Banking and Investment Report, Dated March 31, 1980.*—Chairman Lamb asked if the Actual Interest Earned figure of $849,115.42 appearing on Page 2 is a monthly figure. Mr. Leonard replied that it is the interest posted to date and is a total fiscal year figure as of March 3, 1980. Chairman Lamb further questioned the figure appearing on Page 3 in the amount of $6,858,046.33 as to what it represented and whether it could be called the "reserves." Mr. Leonard responded that it is the amount of the investments; the total of certificates of deposit. Chairman Lamb then asked if the figure appearing on the bot-

tom of Page 3 in the amount of $22,658,155.51 is the Fund's reserve. Mr. Cornford commented that it is the total money the Fund has but there are liabilities against it. Mr. Davis mentioned that this is not a financial statement or a balance sheet, so it does not consider the offsetting liabilities. Mr. Barbanell added that there are not only offsetting liabilities but also other assets, such as remittances due and deposits held by insurance carriers and providers.

Discussion continued on the purchase of the certificate of deposit in conjunction with Blue Shield. Mr. Leonard asked Mrs. Skelly if interest was being received and deposited. Mrs. Skelly replied that one deposit was made in late March representing the interest on the first calendar quarter. The Administrator was requested to follow-up on receipt of subsequent interest payments from California Blue Shield.

Mr. Cornford questioned Mrs. Skelly as to whether the money was being transferred from Bank of America to Union Bank. Mrs. Skelly responded that it had not been done since January. Mr. Cornford stated that the $6,858,046.33 figure includes some pension money and that this means that some money has not been transmitted to Mr. Newman for investment that should have been transferred. Mr. Leonard asked if Mr. Cornford meant the transfer to Union Bank for investing. Mrs. Skelly said we will be making the transfer this week to cover February and March contributions.

Motion made, seconded and passed to accept the Administrator's March 1980 Banking and Investment Report. Leonard/Smith.

(f) *Approval of Bills.*—Mr. Weersing next presented a list of 25 bills to be paid. Regarding the bill payable to the Pension Fund in the amount of $412,529.14, Mr. Leonard thought it should be shown as a pension expense rather than a Welfare expense. He asked that the Administrator check on it and if it is a pension expense, to correct the statement.

Chairman Lamb pointed out that all bills are being paid out of the Welfare Fund and asked if at some time the Welfare Fund will be reimbursed by the Pension Fund. He further questioned where the money comes from since the Pension Fund has not received any money since January. Mr. Leonard commented that there is Pension money in the Fund but that it just has not been moved over to Union Bank. Since there are no monies being paid out of the Pension Fund, Chairman Lamb asked if at some time the Pension Fund is going to owe the Welfare Fund. Mrs. Skelly stated that when the financial reports are available from Harris, Kerr, Forster & Company it will show proper distribution.

An executive session was called, after which Trustees informed counsel that they would sign the checks paying the Davis, Cowell & Bowe bills this time, but, in the future, the Trustees expect hourly rates to be included on all invoices for legal fees.

Mr. Cornford suggested two things: (1) that in the future the Administrator have meeting materials prepared in packet form; and, (2) that the Administrator hold a seminar for all Trustees and interested parties to show how a dollar moves through the various accounts and funds, from contributions to benefits or other disbursements. General agreement was to do this once we have firm balances for the various funds. The Chair asked the Administrator to comply with these recommendations.

Motion made, seconded and passed to pay all bills as presented, said list attached and made a part of these minutes. Tom/Leonard.

(g) Financial Report, March.—Mr. Weersing stated that we are not yet in a position to present a financial report. In the next couple of weeks we expect to receive the general ledger from Harris, Kerr, Forster & Company and will be able to provide a cash-in cash-out report on an interim basis as requested. Mr. Weersing mentioned that there is some question as to Mr. Powell's understanding of the reconciliation requested by the Trustees, particularly as to whether Harris, Kerr is to reconcile the payments made to the carriers with verification of eligibles. Mr. Leonard read from the Minutes of the prior meeting on the motion regarding the direction to Harris, Kerr and suggested that the Chairman and Secretary of each fund meet with Mr. Powell if a question still exists after the Administrator provides the Motion to Harris, Kerr, Forster & Company.

(h) Facsimile Signatures for Disability and Vacation Benefits.—Motion made, seconded and passed that the Chairman and Secretary be the authorized signators for the facsimile signature plate. Leonard/Deredi.

(i) Bank Accounts.—Motion made, seconded and passed to close the savings account at Wells Fargo Bank, Account No. 6043-312339, at the end of the quarter and deposit the funds in the regular account at Bank of America. Smith/Tom.

(j) Daily Interest Allocations—Bank of America Lock Box.—Mr. Leonard commented that we get the total interest based on daily interest which the bank supplies. The allocation is based on receipt of the money contributed per fund. Mr. Weersing reported that based on incomplete discussions with Bank of America, the bank does not appear to be able to make the calculation and allocation requested. S. F. Administrtors will pursue this matter and report again to the Board at the next meeting.

(k) Summary Annual Report.—Mr. Weersing stated that the proofs had been submitted to the Administrator, were approved and returned for final printing.

Mr. Leonard said that a comparison statement should be printed immediately to assist members in making their selection between the Kaiser and Blue Shield plans at the time of their enrollment. Mr. Barbanell said that for the open-enrollment period of February 1980, the comparison material had been prepared but not printed. Chairman Lamb requested that the Administrator and Consultants make a report on the brief comparison sheet including an estimate of printing costs. Ms. Chiesa suggested that a comparison of dental plans be included. Chairman Lamb asked the consultants to consider such a combination.

(l) Other.—Chairman Lamb discussed the move of the Administrator's office and said that it is the position of the Trustees from Local 2 that there should be some service force at Local 2 and possibly at Local 14 which would involve one to three people to interface and assist the members who come to the locals to pay dues and inquire about benefits. He suggested a health and welfare officer, an assistant and a CRT be installed. Chairman Lamb said Local 2 would provide the office space.

Motion made and seconded that this trust fund put a health and welfare officer in Local 2 with a CRT and possibly two to three people as needed for on-site service. Lamb/Chiesa.

At this point, the Employers caucussed. Upon returning, Mr. Leonard stated that the Minutes clearly reflect that the Administrator is to keep the office at 215 Golden Gate Avenue until the end of April 1980 and if the Union Trustees are requesting a vote on the Motion today it would result in a deadlock. Chairman Lamb replied that this question had not been dealt with previously and that it had been an ongoing source of complaints by his members. Mr. Leonard said that there would be a significant cost and that this cost was not included in the Administrator's contract or bid specifications. Mr. Cornford further replied that we do not have any cost analysis of what this would mean to the Fund and that it is incumbent on the Board that a cost breakdown be obtained before the subject can be considered. Also, with the relocation of the Administrator to Hallidie Plaza, it is only some three or four blocks away from Local 2. He further inquired. "Why should the Trustees be asked to buy an unknown cost?"

It was suggested by Chairman Lamb to table the Motion until the Administrator can develop figures and report back to the Trustees.

Mrs. Skelly asked for the Trustees approval to extend the April 30 date for the relocation of the Golden Gate office.

Motion made, seconded and passed that the Administrator be allowed to extend the move of the Golden Gate office on a week-to-week basis but not beyond May 30, 1980. S. F. Administrators is to report progress at the next Board meeting. Leonard/Cornford.

Motion made, seconded and passed to change the name of the Administrator from Baham & Perkins to S. F. Administrators, Inc. for all three Trust Funds on the Resolution of Board of Trustees Appointing Agent for Labor Commissioner Actions and the Resolution of Board of Trustees Appointing Agent for Small Claims Court Actions, said resolutions attached and made a part of these Minutes. Cornford/Chiesa.

3. Consultants Report

(a) *Renewal of Naismith Dental Corporation and Union Labor Life Contracts.*—Mr. Wilson reported that in the proposed Naismith agreement, dues expense will be up 13 percent and co-payments will be up approximately 15 percent. The first item on Naismith's renewal is the request to use the 1979 fee schedule instead of the 1978 fee schedule.

A Motion was made by Mr. Leonard that the consultants and trustees meet with Dr. Naismith for the purpose of negotiating the $1.00 rate increase and the use of the revised fee schedule prior to the July 1, 1980 renewal date.

In response to Mr. Leonard's motion to negotiate with Dr. Naismith, Mr. Wilson replied that what we are talking about is the $1.00 increase for the active employees' monthly dues and the change from a 1978 fee schedule to a 1979 fee schedule. Mr. Leonard asked where the dollar is going to come from, as it is not in the arbitration award. Mr. Barbanell stated that the co-consultants agreed in analyzing the increase that the 1979 fee schedule is reasonable and averages under the CDS/UCR levels. The dollar rate increase is based on the last 18 months experience; Naismith shows a loss ratio of 113.8 percent, which would mean a $95,000 loss over 18 months. To close this gap, he is asking for a $1.00 increase. Chairman Lamb questioned how much the $1.00 increase would cost the Fund. Mr. Barbanell responded, "About $3,750 per month or $42,000 per year." Mr. Wilson reported that this schedule and rate increase is based on a two-year renewal agreement. Mr. Cornford agreed with Mr. Leonard's previous statement that this is a point to negotiate and that he is unwilling to automatically approve this without talking to Dr. Naismith. Chairman Lamb asked when the renewal is to take effect and Mr. Barbanell replied July 1, 1980.

At this point, with Mr. Leonard's Motion still before the Board, the Union Trustees caucussed. Upon returning.

It was seconded and passed that the consultants and trustees meet with Dr. Naismith for the purpose of negotiating the $1.00 rate increase with the reminder of a July 1 deadline. Leonard/Tom.

The co-consultants agreed to set up the meeting.

Regarding Union Labor Life, Mr. Barbanell reported that, because Union Labor Life does not know where they stand on eligibility records, rather than renew on July 1 they would prefer to go on a month-to-month basis under the same premium and benefits as now, with the proviso that they give us a 90-day notice on any rate increase. Union Labor Life Insurance Company and the co-consultants project that when the records are current, the result will be a renewal without a rate increase, but this is not a guarantee. In response to Mr. Leonard's question as to whether this would change the anniversary date from July 1, Mr. Barbanell replied that this will be part of the Union Labor Life renewal offer when it is made.

The Employers caucussed, after which

Motion made, seconded and passed to accept the Union Labor Life proposal to wait until accurate eligibility lists have been reconciled with premiums for the past policy year before issuing a 90-day advance notice of renewal action. At that time, the brokers are to negotiate a two-year rate guarantee Cornford/Chiesa.

(b) *Self-Pay Contribution Rates.*—Mr. Barbanell noted the differences between the contribution rates and the benefit costs. Baham & Perkins did not implement a decision of the Board of Trustees. Mr. Leonard stated that the Board should refer to the Minutes of that period last year in which the Trustees decided on how to proceed in this matter. Mr. Cornford queried, "Didn't Marion Martinez testify last fall that this Fund is not subsidizing the coverage for the voluntary contributors?"

A Motion was made by Mr. Leonard that contributions by the voluntary contributors be established at the cost of the coverages effective as soon as procedures can be implemented by the Administrator. Chairman Lamb asked what the motion referred to. Mr. Leonard replied that the voluntary contributions are to pay the full benefit cost. Chairman Lamb stated that the Union Trustees would be amenable in terms of revising rates for voluntary contributors to appropriate levels but would take a different attitude toward pensioners' rate increases.

At this point, the Employers caucussed. Upon returning, Chairman Lamb asked legal counsel if there is a potential problem regarding age discrimination for pensioners over age 65. Legal counsel replied that persons over the age of 65, generally speaking, could not be required to pay more than the same percentage of gross premiums as persons under age 65 for the same benefits and that it was necessary to study the full costs of benefits for pensioners further to determine if there would be any potential discrimination. Mr. Cornford asked counsel whether the Board would be encountering any legal difficulty if this motion was passed and counsel said no.

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Motion made, seconded and passed to adjust the voluntary contribution payments to reflect the actual cost of benefits, whether it be up or down; this adjustment will not apply to the pensioners' rates. This is to be implemented no later than June 1, 1980. Leonard/Chiesa.

Chairman Lamb instructed the Administrator to prepare a report to the Trustees as to what the consequences would be to the Fund with the implementation of this Motion before the Motion is implemented.

(c) *Booklets.*—Mr. Barbanell reported that notices have been sent to providers for the updating of their booklet pages. When completed, a draft of the Welfare portion will be distributed.

(d) *Other.*—Upon returning from luncheon recess, Mr. Wilson reviewed the quarterly experience report of March 27, 1980 of Blue Shield. He reported that a total of $349,105.08 was paid by Blue Shield to the Fund and the check had been delivered to the Administrator. Mr. Wilson said that the claim reserves are at reasonable levels and are lower than what lag studies indicate.

In response to Mr. Leonard's question as to whether Republic National has responded to the request for return of the $50,000 stabilization reserve, in exchange for a letter of credit, Mr. Barbanell replied that Republic National had agreed, but that this was deferred by the Trustees upon receipt by the co-consultants until Republic National Life's final accounting had been received.

Motion made, seconded and passed that the consultants request the return of the $50,000 stabilization reserve in exchange for a letter of credit. Leonard/Chiesa.

Chairman Lamb asked if there was a proper procedure to credit the $9,409.89 against Net Surplus on Republic National to the Welfare Fund. Mrs. Skelly responded that it will be reflected in the financial statement. Chairman Lamb stated that the interest from this should go only to the Welfare Fund.

Mr. Wilson reported on Union Labor Life and that the summary of experience for the first 18 months of a two-year agreement shows marked improvement which is misleading. There was a tremendous reduction in paid claims because of a sharp increase in the backlog of unpaid claims and when cleared up there will probably be a large claim experience increase on the other end. When the paid claims loss ratio soars, the Trustees should be aware of the cause.

Mr. Wilson stated that Union Labor Life has agreed to release $80,000 of the stabilization reserve of $155,000. Mr. Leonard asked how we could get the entire $155,000 back. Mr. Wilson replied that within three months of July 1 they expect to have the final figure. In response to Mr. Leonard's question as to whether Union Labor Life is crediting interest on this reserve at 7 percent, Mr. Barbanell said, "It is at 8½ percent."

Motion made, seconded and passed to accept the $80,000 under these conditions but any renewal action with Union Labor Life on or after July 1, 1980 would depend on recovery of the $75,000. Leonard/Koblentz.

Mr. Wilson next reported on a letter from Kaiser dated April 1, 1980 regarding an optional change in the definition of dependent children. Under Kaiser the eligibility is limited to age 19. Under the Blue Shield plan the limit is age 23, if a full-time student. Kaiser suggests that the definition be brought into line with Blue Shield's which would require an increased cost to the Fund. For each family with a child, the liberalization would cost an additional $15.89 annually. If the Trustees desire to consider this proposal at renewal on November 1, 1980, the co-consultants could provide an estimate of total costs. Chairman Lamb stated he did not want to take action on this and to table the subject until the next meeting.

Mr. Wilson mentioned that at the last meeting the consultants were requested to contact Kaiser to assist the Administrator in getting the computer tapes. Mrs. Skelly commented that this had been done and that Kaiser was very helpful. The data on pensioners is more up-to-date on these tapes.

Mr. Barbanell reminded the Trustees that publication of a notice on the dual choice option between Kaiser and Blue Shield had been postponed. Mr. Leonard suggested we do this in November so the re-enrollment could be done in a more orderly fashion. Chairman Lamb further suggested that S. F. Administrators cannot do it now and should inform the Trustees when they feel they can do it; the Board will act on it at that time.

Ms. Chiesa mentioned that a participant of this fund and a member of Local 2 had questioned her on the alcoholism treatment coverage under the Blue Shield

plan. Mr. Barbanell informed her that under Kaiser, alcoholism was not covered but that Blue Shield would be willing to put in a 100-day benefit at no extra charge. This benefit would cover eligible expenses for hospital care and inpatient medical treatment.

Motion made, seconded and passed that such alcoholism treatment benefits be included in the Blue Shield contract with an effective date of May 1, 1980. Chiesa/Kolbentz.

4. Report of Counsel

(*a*) *Margaret M. Smith Case.*—Mr. Davis stated that Ms. Smith had not been accorded the usual $3.00 Medicare premium reimbursements when she became eligible and that counsel recommends she be reimbursed. Mr. Leonard reminded the Board of a motion for a negotiated package of benefit changes, which had been offered in an executive session during the meeting of March 28, 1980. He reported that the motion was deadlocked. While awaiting resolution of the deadlocked motion, Mr. Leonard moved to reimburse Ms. Smith on the basis of $3.00 monthly for all Medicare premiums she has paid, back to her date of initial eligibility for the benefit (1976).

Mr. Davis stated that Ms. Smith was not an active eligible and that the original recommendation on that overall subject was directed only to active eligibles. Ms. Smith is a pensioner and counsel does not think she fits the category involved in the deadlocked motion. Mr. Weersing was asked whether Ms. Smith's benefit payment could be handled routinely with the issuance of the next semi-annual batch of such disbursements, to which he replied affirmatively. Mr. Weersing stated that we actually owe the beneficiaries of long-standing $36.00 each, because the December 1979 benefit issuance was not paid by Baham & Perkins, the previous administrator. In response to Mr. Barbanell's question as to whether there was a problem in paying it, Mr. Weersing replied no.

Motion made, seconded and passed to reimburse Margaret M. Smith $3.00 for each month's Medicare premium retroactively to June 1976 and prospectively.

(*b*) *Other.*—Mr. Davis stated that counsel had been requested to review the retention of Barbanell Associates by Naismith to develop a marketing program.

Motion made, seconded and passed that the Board of Trustees accept the opinion of counsel in this case, said opinion is attached and made a part of these Minutes. Lamb/Leonard.

5. Old Business

(*a*) *26th Annual Educational Conference, November 14-19, 1980, Honolulu, Hawaii.*—Motion made, seconded and passed to send officers of Health and Welfare Trust Fund to Hawaii. Leonard/Snyder.

The three Trustees from Local 2 voted "no" on the Motion.

6. New Business

(a) *Equity Leasing Corporation.*—Mr. Weersing stated that a copier was leased at 215 Golden Gate and that the agreement was signed by an employee of the Pension Fund. Baham & Perkins agreed to take over the payments but only made two. The lease is in the name of the Fund and signed by George Elner.

Motion made, seconded and passed to pay the balance due of $648.18 and to have the Administrator request Equity Leasing Corporation to pick up its copier. Lamb/Leonard.

(b) *Business Extension Bureau.*—Mr. Weersing mentioned that he did not know whether the work was authorized by the carriers or the Trustees. Mrs. Skelly responded that it was for giving participants notice of the dual choice option in February and Mr. Leonard had ordered the printing. The notice was not distributed per action of the Board of Trustees.

Motion made, seconded and passed to pay the Business Extension Bureau bill in the amount of $2,524.09 with the request that the distribution be deferred and the composition be held. Lamb/Chiesa.

7. The next Welfare Fund Trustees' Meeting will be scheduled at 9:30 a.m. on May 29, 1980 at a location to be chosen and announced by the Administrator.

8. *The meeting was adjourned at 2:45 p.m.*

Respectfully submitted.

NORMAN WEERSING,
Recorder.

CHECKS ISSUED, APR. 24, 1980

	Check No. and payee	Total	Welfare	Pension	Education
3390	Kaiser Foundation	$475,994.19	$475,994.19		
3391	Blue Shield	173,259.60	173,259.60		
3392	Republic National Life	40,002.75	40,002.75		
3393	Union Labor Life	81,046.51	81,046.51		
3394	Naismith Dental Group	34,235.26	34,235.26		
3395	SF/Cul/Bar/SE Pension Fund	413,529.14		$413,529.14	
3396	Bowerman Drug	4,619.25	4,619.25		
3397	Rubenstein & Bohachek	3,246.25	2,129.54	1,093.99	$22.72
3398	Davis, Cowell & Bowe	924.00	924.00		
3399	Davis, Cowell & Bowe	609.09	399.56	205.26	4.27
3400	Davis, Cowell & Bowe	1,760.39	1,154.82	593.25	12.32
3401	Davis, Cowell & Bowe	20.00			20.00
3402	Davis, Cowell & Bowe	3,153.96		3,153.96	
3403	Kaiser Hospital	120.00	120.00		
3404	Harris, Kerr, Forster & Co	200.47	131.51	67.56	1.40
3405	Harris, Kerr, Forster & Co	6,000.00	3,936.00	2,022.00	42.00
3406	Barbanell Associates	425.00		425.00	
3407	Rael & Letson	800.00		800.00	
3408	Alexander & Alexander	425.00		425.00	
3409	Void				
3401	S. F. Administrators, Inc	350.00	350.00		
3411	S. F. Administrators, Inc	1,469.53	1,469.53		
3412	Frank Rossi	20.00		20.00	
3413	Social Security Administration	49.22		49.22	
3414	S. F. Administrators, Inc	35,000.00	22,960.00	11,795.00	245.00
3415	Void				
3416	Business Extension Bureau	2,524.09	2,524.09		
3417	G. Leonard (for International Foundation of Employee Benefit Plans)	700.00	700.00		
	Total	1,280,483.70	845,956.61	434,179.38	347.71

RESOLUTION OF BOARD OF TRUSTEES APPOINTING AGENT FOR LABOR COMMISSIONER ACTIONS

It appears to the Board of Trustees of the San Francisco Culinary, Bartenders and Service Employees Welfare Fund, an unincorporated association doing business in California, that it is desirable and necessary to appoint an Agent to act for and in its behalf in prosecuting actions before the Division of Labor Standards Enforcement, commonly known as the Labor Commissioner, for the State of California; and

It appears that Ernesto Galarza is a regular employee of S. F. Administrators, Inc., Administrator of the San Francisco Culinary, Bartenders and Service Employees Welfare Fund, who is employed as the Special Administrative Assistant for collection of delinquent fringe benefit contributions due from employers to the San Francisco Culinary, Bartenders and Service Employees Welfare Fund, and whose duties give him peculiar knowledge of the facts of such cases; and

It appears that Ernesto Galarza is a suitable person to act as such Agent.

Now, therefore, it is

Resolved, that Ernesto Galarza be and hereby is appointed to act on behalf of the San Francisco Culinary, Bartenders and Service Employees Welfare Fund in filing, maintaining and prosecuting actions before the Division of Labor Standards Enforcement, commonly known as the Labor Commissioner, for the State of California and in presenting evidence and otherwise participating in all trials and legal proceedings.

I certify that I am the authorized and acting Secretary of the San Francisco Culinary, Bartenders and Service Employees Welfare Fund and that the foregoing resolution was adopted by the Board of Trustees of said Fund at its meeting on April 24, 1980, at San Francisco, California.

GUY LEONARD,
Secretary.

RESOLUTION OF BOARD OF TRUSTEES APPOINTING AGENT FOR SMALL CLAIMS COURT ACTIONS

It appears to the Board of Trustees of the San Francisco Culinary, Bartenders and Service Employees Welfare Plan, an unincorporated association doing business in California, that it is desirable and necessary to appoint an Agent to

act for and in its behalf in prosecuting actions in the Small Claims Court for the City and County of San Francisco; and

It appears that Ernesto Galarza, Jr. is a regular employee of S. F. Administrators, Inc., Administrator of the San Francisco Culinary, Bartenders and Service Employees Welfare Plan, who is employed as the Special Administrative Assistant for collection of delinquent fringe benefit contributions due from employers to the San Francisco Culinary, Bartenders and Service Employees Welfare Plan, and whose duties give him peculiar knowledge of the facts of such cases; and

It appears that Ernesto Galarza, Jr. is a suitable person to act as such Agent. Now, therefore, it is

Resolved, that Ernesto Galarza, Jr. be and hereby is appointed to act on behalf of the San Francisco Culinary, Bartenders and Service Employees Welfare Plan in filing, maintaining and prosecuting actions in the Small Claims Court of the City and County of San Francisco and in presenting evidence and otherwise participating in all trials and legal proceedings.

I certify that I am the authorized and acting Secretary of the San Francisco Culinary, Bartenders and Service Employees Welfare Plan and that the foregoing resolution was adopted by the Board of Trustees of said Fund at its meeting on Apr. 24, 1980, at San Francisco, California.

GUY LEONARD,
Secretary.

EXHIBIT C

MINUTES OF THE REGULAR MEETING OF THE EXECUTIVE BOARD—HOTEL & RESTAURANT EMPLOYEES & BARTENDERS UNION, LOCAL 2, TUESDAY, SEPTEMBER 12, 1978

David L. McDonald, Chairman

Officers present: David L. McDonald, President; Phyllis M. Foley, Financial Secretary-Treasurer; Charles Lamb, Executive Vice President; Flo Douglass, Director of Organization; George Corey, Vice President; Joseph Garcia, Vice President; Winston Ching, Vice President; James Bracisco, Vice President-at-Large.

Attached is list of Executive Board members present.

Pres. McDonald requested removal of the tape recorders. Sister Douglass and Bro. Corey refused to do so.

Prior to taking up the first order of business, a sister member, who had sent a letter request to come before the Executive Board, appeared and spoke in support of Proposition 5, the Clean Air Initiative. She was accompanied by Peter Hanower, who explained the proposition and requested the Local's support for it.

A committee of extra banquet waiters appeared before the Board to present their grievances about the violations of the contract practiced by the Golden Gateway Holiday Inn.

After a lengthy discussion, M/S to file an Adjustment Board case immediately on the violations and to include in the case the jurisdictional right of Local 2.

Motion carried unanimously.

Bro. Don Bessee, who had requested by letter an appearance before the Executive Board, was admitted after Secretary Foley read his letter of complaint regarding the President's ruling against a division of the house at the last Regular membership meeting.

Bro. Corey was again asked to remove the tape recorder prior to Brother Bessee's appearance but he again refused.

Pres. McDonald then read a letter he had written to the International President regarding the taping of the August Executive Board meeting. He read the General President's response, advising that the controversy has to be decided by action of the Executive Board.

M/S to tape all future Executive Board meetings, starting with the October meeting, and three tapes be made available: one for Phyllis Foley, one for Flo Douglass and one for Winston Ching.

Pres. McDonald ruled the motion out of order because it is specific in the By-laws that the Financial Secretary-Treasurer keeps all records.

Secretary Foley stated that it was agreed that Sylvia Radovich be present to take the minutes.

Sister Bazan asked to go on record that at one particular meeting, which involved the Shop Stewards education, the minutes were not accurate.

Pres. McDonald again ruled the motion to tape all future Executive Board meetings out of order because it would involve amending the By-laws.

Bro. Bracisco appealed the decision of the Chair, stating that the motion is a proper one.

Vote was taken and the motion passed by a vote of 19 to 3, with Secretary Foley, Executive Vice Pres. Lamb and Pres. McDonald voting against it.

Bro. Bessee returned to the meeting and read a letter on a previous appeal to the International when Bro. Belardi was in office, regarding Roberts Rules of Order.

Bro. Bessee also complained about the lack of upkeep and the unclean condition of the hiring hall and recreation room. He recommended that a Custodian be hired to assure that only members are permitted the use of the hall.

It was suggested to Bro. Bessee that he make his recommendation in writing. He then left the meeting.

M/S that MacArthur Park Severance Pay lists be approved by Secretary Foley and Executive Vice Pres. Lamb. Approval previously was made by B.A. William Paul.

Motion carried unanimously.

Bro. Charles Lamb read the Proposals to be presented on the industrywide Health & Welfare Plan.

Motion by Bro. Lamb to make whole the rank and file people who assist on the Negotiating Committee, failed for lack of a second.

M/S to accept the Health & Welfare proposals. Motion carried unanimously.

M/S to approve buying a trophy award for the Culinary exhibit at a cost not to exceed $200.00.

Motion carried.

M/S that up to six rank and file members, one from each of the five crafts and one retiree, be appointed to serve on the Negotiating Committee with voice and vote.

Motion lost by a vote of 7 for and 10 against.

M/S that the three union Trustees receive $25.00 compensation once every three months, which is the same amount received by Executive Board members.

Motion passed unanimously.

M/S to raise the salary for Bro. Sal Salvato to $275.00 per week.

Motion lost with 10 votes in favor, 11 opposed, and one abstention.

A letter addressed to Jim McMullen of Weidener & Co., was read, inquiring about the cost of developing an employers' program into the computer system. Reply by the consultants stated that the cost would be anywhere from a minimum of $500.00 to a maximum of $1,000.00.

M/S to accept the proposal on the condition that the cost would not exceed $1,000.00, and that it would be one payment only.

Motion carried.

Pres. McDonald read a letter announcing a testimonial dinner honoring Bro. John Merritt, to be held in El Segundo, the cost being $20.00 per person.

M/S to have the general officers attend with paid expenses. Motion lost.

Lengthy discussion was held on the matter of requests for extra banquet number assignments. Bro. Forcier (for the record) stated: "I was told by the Chair at the last meeting that anybody who works steady as a banquet waiter in the hotels, if he quits or got fired, he was allowed to be on the banquet list. I don't know who made that rule."

Pres. McDonald read list of 14 banquet persons to whom numbers were issued since the original drawing of numbers took place, and giving the reasons for their being put on the list.

Bro. Forcier stated (for the record) "right after this administration took office, Pat Weisenfeld was the center of dissention on three occasions".

Sister Bazan stated, for the record, that the majority rules and one person should not be singled out.

NEW BUSINESS

M/S that a complete outside audit by an outside Certified Public Accountant be made on Local 2 finances and that this audit be of the last seven (7) complete yearly quarters beginning January 1, 1977; that this audit must include cash receipts and cash disbursements journal, ledgers on payroll, fixed assets and investments; health and welfare and pension plan payments for Local 2 and Local 3 staff and officers, Business Agents, etc., and vouchers in chronological order; that

CPA firms submit bids before 10/10/78 so that the Executive Board may select a CPA firm from those submitted at the next Executive Board meeting, and that the audit be initiated by 10/17/78; upon completion of the audit, a complete summary shall be made available by the Secretary-Treasurer or the Executive Vice President to any Local 2 member upon request.

Amendment to the motion made and seconded that copies be made available to the Executive Board.

Vote taken on amended motion with 17 members voting "aye" and 3 voting "nay" (Foley, McDonald and Lamb). Motion carried.

M/S to reaffirm, as per the Executive Board poll in August, the transfer of $100,000 from the General Fund to the Defense Fund. (Bro. Forcier stated he heard rumors that the $100,000 will be cut to $50,000.)

Motion carried unanimously.

Vice Pres. Ching reported on his expenditures for the Zim's strike and asked for reimbursement of a total of $2,368.00, which includes $595.00 for supplies and $1,700.00 for a video tape, and stated he did not ask for prior authorization because he knew the President would turn it down. Pres. McDonald stated that Bro. Ching did not obtain authorization from the President or the Secretary or the Executive Board for these expenditures.

M/S to reimburse Bro. Ching.

Sister Bazan stated for the record that she favored reimbursement.

Motion carried with 16 "aye" votes and 4 "nay" votes (by Foley, Lamb, Garcia and McDonald).

M/S to reaffirm the motion to set up an official rank and file Shop Steward Education Committee, as passed in May by the Executive Board and by the membership, which reads as follows: That an official rank and file committee be initiated to implement Shop Steward elections and to circulate necessary information about the duties and responsibilities of Shop Stewards. The following people have volunteered their services to be on this committee: Lin Johnson-Winfield, Sharyl Anderson, Laura Sanchez, Maury Halveson, Maya Luckman, Natalia Shul, Joe McInerene.

This committee shall also include any volunteers from the upcoming general membership meeting. (Other members from the rank and file volunteered at the May membership meeting).

Bro. Forcier (for the record) stated this motion was originally made for an official rank and file committee, that it be composed of the rank and file and that it be given official status.

Motion to reaffirm official rank and file Shop Steward Education Committee carried.

M/S that the Shop Steward Committee be provided with the necessary materials (including Shop Steward Manuals) and the use of Local 2 printing and duplicating facilities in order for them to carry out their function, as previously passed by the Executive Board and membership meeting.

Motion carried.

M/S that the Executive Board assign Ed Forcier as Chairman and Co-ordinator for the Shop Steward Committee, with Linda Bazan as alternate.

Motion carried.

M/S that B.A. Ricci Cornell be approsed of her duties relating to the Shop Stewards, as instructed by the President.

(No vote taken on motion).

M/S to reaffirm the resolution previously passed unanimously by the Executive Board in June against the Briggs initiative; that 15 minutes, under Officers' Reports at the September and October membership meetings, be reserved for speakers to inform the members of the effect of the Briggs initiative on the labor movement, and that speakers must be labor oriented and have a labor background.

Motion carried.

M/S that a committee be set up to institute a new policy regarding the operation and administration of the rank and file Local 2 Voice newspaper. This committee shall consist of two members of the Administrative Board, namely, Bros. Ching and Corey, and five rank and file members of the Executive Board, namely Ed Forcier, Linda Bazan, Bert Botta, Tom Luian and Joe Miller. This committee shall meet before the next Executive Board meeting and shall recommend a newspaper policy to be voted on at the next Executive Board meeting.

Motion carried.

M/S to increase the salaries of the Business Agents and Officers by 6 percent immediately.

Motion carried with 4 votes opposed (Foley, McDonald, Lamb and Garcia).

M/S to ask the International to appoint Administrative Trustee to assist the Local at this time.

Motion carried by a vote of 11 to 6 ("Aye" votes by McDonald, Foley, Lamb, Bentley, Botta, Garcia, Corey, Quong, Balco, Bible and Bracisco. "Nay" votes by Lujan, Torres, Bazan, Mayrer, Ching and Forcier).

Sister Bazan brought up the matter of appointment of Local 2 members to the S.F. Labor Council. Bro. Corey explained the procedure and said the appointments will probably be acted on at the next Executive Board meeting.

Bro. Ching asked about the rumors he heard regarding the vote on the firings.

Pres. McDonald stated that we are not going to vote on it because the judge threw it out of court; also the amendment.

Motion to terminate B. A. Ricci Cornell failed for lack of a second; also, Pres. McDonald ruled the motion out of order.

Bro. Forcier moved that the Administrative Board has the power to let the President spend $1,000 at any one time, be amended to read that $50.00 once a month.

Pres. McDonald advised him to submit a By-law change.

M/S to adjourn. Motion carried. Meeting adjourned at 7:10 P.M.

Respectfully submitted,

DAVID L. MCDONALD,
President.

PHYLLIS M. FOLEY,
Financial Secretary-Treasurer.

Approved:

DECLARATION OF MIKE JAMES

I hereby swear under penalty of perjury that the following is true and correct:

My name is Mike James and I have been a room service waiter in San Francisco since 1967. As a result of this employment, I have been a member of the Hotel Workers Union since that time. I have been a member of HERE Local 2 since its creation in 1975.

Following the 1978 election of David McDonald as President of Local 2, the International placed the Local into trusteeship. Vincent Sirabella was then appointed trustee by the International. After a lengthy Federal court case, the trusteeship was ordered removed and a new election held.

In 1979, Charles Lamb was elected President. Sirabella stayed on, however, and effectively controlled the Local for some time thereafter. At one point, Sirabella, an International officer, chaired the Local 2 election committee, although the committee requested that Lamb remove him.

In 1980, I was elected to the Local bargaining committee in connection with the ongoing collective bargaining negotiations that led to a devastating 23-day hotel strike. During the period of these negotiations, Vincent Sirabella was the principle union negotiator and Lamb, the elected head of Local 2, was relegated to a minor role. Ultimately these negotiations shifted to Los Angeles where a settlement was reached rather quickly.

The negotiating committee did not attend the Los Angeles sessions. Upon Lamb's return to San Francisco he was closely questioned by the committee as to the terms agreed upon. He could not explain certain points and finally blurted out, "They did not let me in the room."

I cite these accounts of the negotiations as evidence that the International effectively controls President Lamb and the administration of Local 2.

I would also like to describe the negotiating committee's meeting with General President Ed Hanley during the strike negotiations in 1980. Lamb told us that General President Hanley had arrived to help in negotiations and he escorted us to a motel in San Mateo to meet with Hanley. Many of us expected a detailed discussion of the current strike situation and how it would be handled to the benefit of the union. Instead, after being introduced to Sirabella, Hanley ignored the strike issue and immediately launched into a speech requesting that we carefully consider the advantages of transferring Local 2's pension plan to International control. He dismissed the fact that the federal government was scrutinizing such activities and noted that the International would be able to invest the money in hotel loans. Needless to say, we were greatly concerned that such

a pitch was being made while no consideration was apparently being given to our immediate concern, the strike.

While the 1980 contract is highly touted as being very beneficial to the union, I would like to cite the following areas which I feel are not in the members best interests:

1. Supplement sick pay considerations;
2. Redefined work week—members lose overtime and vacation;
3. Grievance procedure is less effective; and
4. The union announced gains of $250,000 in retroactive pay prior to the signing. Management balked at this and the union had to make the money available. In effect, we wound up paying ourselves.

Finally, I would like to note that following the strike I was re-elected shop steward for my hotel. To date Local 2 has refused to recognize that I am a duly elected shop steward and has failed to notify my employer that I have been elected. I believe the refusal of Lamb's administration to honor this election is based upon my activities within dissident groups, such as Workers For A Strong Union.

I have read and reviewed each page of this declaration and I swear, to the best of my knowledge and belief, that the statements contained herein are true and correct.

MIKE JAMES.

DECLARATION OF JOHN ORLER, MEMBER OF HERE LOCAL 2, SAN FRANCISCO, CALIF.

I hereby swear under penalty of perjury that the following is true and correct:

My name is John Orler and I am currently employed as a waiter at Tarantino's Restaurant on Fisherman's Wharf in San Francisco. I have worked in the restaurant industry and been a member of the HERE International Union for about 26 years. I have been a member of HERE Local 2 since it was created in 1975 by the merger of several Francisco local unions.

The governing body of Local 2 consists of the executive board consisting of three officers and ten elected board members, there are also three trustees elected to function separately. In 1979, I was elected a trustee of Local 2. I attempted to serve in that capacity for three years, choosing not to run in 1982.

Under the Local 2 by-laws, trustees are required to conduct an annual inventory of the Local's and to sign the annual inventory report. A partial inventory was taken while I served as trustee but the Secretary-Treasurer failed to type it and would not arrange for the trustees to inventory certain assets in the bank such as stocks and bonds.

The trustees are also required to review and sign the LM–2 Report filed every March with the Department of Labor, and the quarterly financial reports sent to the International Union. I recall signing only three financial reports in three years. When I would insist that the Secretary-Treasurer produce the reports, she would claim that they were late or that she did not have the time. Secretary-Treasurer was regularly four to eight months late with the reports to the International. When I brought the situation to President Charles Lamb's attention, he told me to "Work it out with the Secretary-Treasurer".

In addition to the responsibilities mentioned above, the trustees are supposed to audit the books and records of any officer leaving or fired from the Local. This was never done.

Finally, as a member of HERE Local 2, neither I nor any member of Local 2 working under an Independent Tavern Contract, has been allowed to vote on a labor contract in 25 years. In San Francisco, renewable union contracts are negotiated either through the Hotel Association, the Golden Gate Restaurant Association or by Independent Tavern Owners. The union members covered by the Hotel and Golden Gate Restaurant Associations are allowed to ratify their collective bargaining agreements. However, members who are covered by the independent renewable negotiated contracts are not given this opportunity. Furthermore, individuals who work in independent houses are not allowed to participate on negotiating committees. As a result, these members are given no voice in the contracts that they are required to work under.

I have read and reviewed each page of this declaration and I swear, to the best of my knowledge and belief, that the statements contained herein are true and correct.

JOHN ORLER.

DECLARATION OF JONATHAN PALEWICZ, HERE LOCAL 2, SAN FRANCISCO, CALIF.

I hereby swear under penalty of perjury that the following is true and correct:

The purpose of this statement is to give the Permanent Subcommittee on Investigations a clear picture of what the struggle is like for those of us who are trying to achieve a democratic and effective Local within the HEREIU. A secondary purpose is to give the Subcommittee some suggestions for legislation that might solve various problems that arise regularly within the HEREIU and other unions that have fallen outside of the control of their memberships.

My background in the field of hotel and restaurant labor relations is long and varied. I have worked in the hospitality industry since 1958 and, specifically, in San Francisco since 1971. In San Francisco I was initially employed as a night auditor at the Fairmont Hotel on Nob Hill. I am presently employed as a desk clerk at the Raphael Hotel near Union Square.

Local 2 of the HEREIU and Local 856 of the Teamsters share jurisdiction over hotel front office workers in San Francisco. Pursuant both to personal conviction and to applicable union security clauses, I have always been a member of one or the other union while working various hotel jobs in the city. My father was a dedicated and active HEREIU member at the Waldorf-Astoria Hotel in New York City from the early 1930's until his death in 1964.

I received an undergraduate degree in Hotel Administration from Cornell University and, while working a full time "graveyard shift" at the Fairmont, I earned a Doctor of Laws degree from the University of California's Hastings College of the Law. My emphasis at both the undergraduate and graduate levels was on labor relations and labor law. At present, besides maintaining my Local 2 membership by working at the Raphael Hotel, I am the lawyer for a loose association of Local 2 members, including many former officers, called The Grand Coalition to Save Local 2. I also serve as editor of the group's monthly newsletter.

HERE LOCAL 2 OF SAN FRANCISCO

In Local 2's eight short years of post-merger existence, it has thus far endured the following abuses at the hands of the International:

(a) forced merger of craft locals;
(b) unrequested trusteeship;
(c) illegally imposed by-laws ;
(d) veto of a duly-passed by-law change;
(e) meddling and favoritism in internal union elections;
(f) withholding of members' death insurance benefits; and
(g) tolerating questionable or illegal acts by a local against the members' best interest.

The following narration will describe these abuses in a rough chronological order.

Forced Merger of Craft Locals

San Francisco's Local 2 of the HEREIU was formed in 1975 as the result of the forced merger of the city's five diverse and independent hotel and restaurant craft unions. Members of the various locals immediately sued the International because no vote had been taken on the merger. However, the General President of the International, Ed Hanley, successfully defended his claimed right under the HEREIU Constitution to merge the locals without membership approval. Hanley has since used this right many times, with the New York City and Chicago mergers being the most notable examples. In San Francisco, Joseph Belardi, President of the Cooks Union and an International Vice-President, was appointed President of the new Local 2 by Hanley and all elections were put off for three years.

The new Local had a combined membership of over 20,000 members. Almost overnight it became San Francisco's larget labor union. Anger over the forced merger continued to simmer amongst the members during the next three years, surfacing only occasionally when the membership was permitted to vote and defeat a dues increase.

In March, 1978, a multi-craft group of members united in an organization called ARF, the Alliance of the Rank and File. The slogan of ARF was "Watchdogs, not fatcats." ARF ran a reform slate in Local 2's first election. ARF's presidential candidate, David McDonald, a cook from the St. Francis Hotel, beat Joe Belardi. ARF's vice-presidential candidates were also victorious and the new Executive Board was almost evenly divided between Belardi loyalists and ARF supporters.

Unrequested Trusteeship

Following the election, International President Hanley immediately moved Mr. Belardi to Hawaii in what I believe was an attemp to oust the newly elected Richard Tam of Local 5. Belardi's supporters in Local 2 remained, however, to cause chaos within the Local. After months of internal disruption, President McDonald requested that the international send the Local an administrative assistant to offer advice on achieving order and control within the Local. Edward Hanley answered this request by throwing Local 2 into full trusteeship. Vincent Sirabella of New Haven, Connecticut, was named Trustee. President McDonald and all but one of the other ARF office holders objected vigorously as the new Trustee changed the door locks, seized the bank accounts and ledgers, suspended the bylaws, canceled the membership meetings and assumed full control of Local 2. For refusing to be silent, the Local's officers were all thrown out of office and off the payroll by Mr. Sirabella. The International claimed that it was acting to preserve democracy in Local 2.

In the spring of 1979, David McDonald succeeded in having the trusteeship declared illegal in federal court. However, rather than return control of Local 2 to the previously elected office holders, as is customarily done in these cases, the federal judge ordered a new election to be held under the supervision of the United States Department of Labor. The International supported the candidacy of Charles Lab, a defector from the ARF who had chosen not to speak out against the trusteeship. Lamb received far less than fifty percent of the votes cast, but he won the election against a disillusioned rank and file which split its vote between David McDonald and Ed Forcier. Mr. Forcier, who had previously run and won as an ARF candidate for the Executive Board in 1978, described the procedural difficulties of the 1979 election in a letter to Labor Secretary Ray Donovan, dated February 1, 1983, which is attached to this statement as Document No. 1.[1] To this day many Local 2 members still wonder why President McDonald and the other winners of the 1978 election were not simply reinstated to office once the International's trusteeship was found to have been illegally imposed. Mr. Fred Heitmann of the DOL suggested to the Subcommittee in September, 1982, that reinstatement is the appropriate remedy in these circumstances; but, in fact, the Landrum-Griffin Act is not specific on this point.

The Department of Labor's response to Mr. Forcier's letter is also attached to this statement as Document No. 2. As you will see, many of the charges raised by Mr. Forcier remain substantially unanswered.

Illegally Imposed By-laws

When the trusteeship was lifted, Edward Hanley and Vincent Sirabella imposed a new set of by-laws on Local 2. Article XII, Section 7 of the HEREIU Constitution allows this action when a valid trusteeship is terminated. However, the trusteeship over Local 2 was illegal, so presumably the old by-laws, a copy of which is attached as Document No. 3, ought to have been reinstated by the judge. They were not. The new by-laws, which are attached as Document No. 4, are far less democratic and consolidate almost all of the real power in the Local into the hands of the president. Included in the president's powers are the unreviewable rights to hire and fire the Local's personnel and staff, and to appoint the majority of the election committee which is responsible for running the union election every three years.

It is almost undisputed in San Francisco that business agent Miguel Contreras, rather than Charles Lamb, would have been the International's candidate in 1979 except for a rare slip in drafting the new Local 2 by-laws. Only members in good standing for "two continuous years" were allowed to seek office. Contreras' membership fell a few months short of that requirement. Contreras ended up as the appointed trustee over the dormant Reno, Nevada local. This trusteeship was the focus of a previous PSI hearing.

Veto of Duly-passed By-law Changes

The by-laws imposed by the International permit changes to the by-laws to be proposed by petition if the petition is signed by one hundred and fifty members. In 1980, under the guidance of former President McDonald, a comprehensive set of by-law revisions was drafted, properly signed and submitted for consideration. President Lamb decided not to raise them for discussion. To this day they have never been discussed or voted upon by the trusteeship.

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[1] The material contained in Documents No. 1 through No. 5 are retained in the files of the subcommittee.

Later in 1980 one proposed change in the by-laws was discussed, voted on and approved by the membership. The proposal called for "elected" business agents, an issue on which Lamb had campaigned as a candidate but backed away from as president. The proposal had been a popular demand of the membership for years and it had been approved at the General Membership meeting earlier that year. Local 2's Administration reacted by getting General President Hanley to veto the new by-law change. Under the HEREIU Constitution, membership dues to the International are to be made in annual increments of $1.00 per member per month for each year of the Constitution's duration and effect which, at present, is a five-year period .The General Membership of the HEREIU Locals do not vote on the dues increases, but they must pay them or lose their jobs. Similarly in Local 2, increases in the dues are locked in as part of the by-laws. The General Membership is merely informed as to when dues have gone up. To change the dues structure requires changing the by-laws, and I have already described the virtual impossibility of that process.

Meddling and Favoritism in Internal Union Election

The issue of questionable election processes in the HEREIU and Local 2, and some of the difficulties which activists have had to deal with under the present state of the law for challenging a union election have been described earlier in the correspondence with the Secretary of Labor (Document No. 1; see also Document No. 6). To further illustrate the problem I have attached to this statement, as Document No. 5, a copy of the election protest to the 1982 Local 2 election which was submitted to the U.S. Department of Labor on August 26, 1982. Despite the gravity of the charges, the U.S. Department of Labor has determined that the outcome of the election probably was not affected (Document No. 7). This assertion is mathematically untenable, since the ballot box which was allegedly tampered with contained over 300 votes and various opposition candidates lost by fewer than 150 votes. Parties to the election agreed to separately count the contents of the tampered-with box for fear that the count would affect the outcome of the election. However, person or persons unknown dumped the tainted votes in for counting with the regular votes before this could be done.

The Department of Labor has ignored the mathematics involved and has imposed its alleged expertise in union matters, superceding the agreement reached within the Local as to the tainted votes and declaring the election valid. Furthermore, the U.S. Department of Labor has not, to this day, sent us the statement of reasons for its rejection of the election challenge. This document is essential to even the limited judicial review available under present law.

Withholding of Members Death Insurance Benefits

The International has recently demanded that Local 2 pay on time the ever-increasing per capita tax to the International or continue to have the death insurance benefits of deceased members withheld from the decedent's survivors. What the one has to do with the other, even as a legal question, is beyond many of us; but it remains as just another form of HEREIU pressure on our Local for money.

Questionable or Illegal Acts by the Local

All of the following irregularities have occured in Local 2 under the leadership of the International's candidate. President Charles Lamb.

1. A $150,000 trust fund established to pay Supplemental Vacation Pay Benefits was drained in order to pay non-beneficiary retirees a $30 per person Christmas present.

2. The Local 2 safe was robbed three times, for a net loss of over $20,000, in what San Francisco police have called "inside" jobs.

3. Local 2 entered into a $300,000 debt to the International, repayable over 5 years, for which there was no membership approval and for which only $220,000 in proceeds were actually received.

4. The President of the Local used his union credit card to charge personal items such as meat, haircuts, and shoes. He repaid the Local only after the irregularity of these expenses was waved in the face of the Secretary-Treasurer.

5. The Administration of Local 2 obtained the passage of a by-law which creates a "hardship strike benefit fund," with the President given exclusive power to determine standards of eligibility for payments from the $125,000 fund.

The list of abuses and offenses can go on and on. I hope that, as a result of the first part of this statement to the Subcommittee, an awareness of the diffi-

culties facing HEREIU reformers has been successfully communicated. The broad range of legal means available for use against memberships striving for union democracy clearly shows a need for changes in the current law.

SUGGESTIONS FOR LABOR LAW REFORM

The following are a number of suggestions for legislative action that, though relatively straightforward, would significantly improve the lot of members of the HEREIU and other labor organizations throughout the United States.

1. Pass S. 336—The Labor-Management Racketeering Act of 1983

This legislation is essential. It is utterly absurd to have convicted felons remain in positions of trust in labor unions. In the HEREIU, General Secretary-Treasurer John Gibson remained in office for years after his conviction for embezzling union property, and retired on his guaranteed full-salary-for-life only after all of his appeal routes were exhausted. Union leaders, as well as management and government officials, should be suspended from the performance of their duties unless and until their felony convictions are overturned, or until the five-year bar to holding office, presently part of the LMRDA, has passed.

2. Strengthen Enforcement of Sections 104 and 105 of the LMRDA

Section 104 of the Landrum-Griffin Act requires labor organizations to make copies of colective bargaining agreements available to members covered by them and who request them.

Section 105 of the Landrum-Griffin Act requires that all labor organizations inform their members of the provisions of the LMRDA.

Section 104 is quite often ignored by unions around the country, and after nine years of searching, I know of no union that regularly and systematically complies with Section 105.

Both of these sections are part of Title I of the LMRDA, which is also known as the "Union Members' Bill of Rights." Rights are often meaningless if they are not known or are overly difficult to enforce.

I propose that each year every labor organization be required to send each member a copy of the collective bargaining agreement under which he or she works, as well as a copy of the LMRDA and the easily readable summary approved by the U.S. Department of Labor. New members should be provided copies at the time they join the union.

3. Amend the LMRDA in Favor of Direct Participation by Members

Since 1959 many labor organizations, including the HEREIU, have circumvented the various safeguards for members intended by the authors of the Landrum-Griffin Act. Members often feel disenfranchised and isolated from both their Local and their International when key decisions and changes are being considered. I propose the following changes to the LMRDA in order to bring these organizations and their governance back into the hands of their memberships.

a. Direct Elections by Majority Vote.—Officers of Locals, Internationals, and other intermediate governing bodies should be elected only by direct vote of the members; runoffs should be required when no candidate polls 50 percent plus one, or more, of the votes cast. No delegated selection should be permitted.

b. Dues Increases and Assessments by Majority Vote.—All dues increases and assessments of Local, intermediate bodies and International should be by direct majority vote of all those affected and voting. No automatic increases or other forms of imposed increases, without the direct approval of those affected, should be allowed.

c. Contract Approval by Majority Vote.—All collective bargaining agreements negotiated by a union for its members should be subject to a direct ratification vote of those members covered prior to the agreement going into force and effect.

d. Disaffiliations from Internationals by Majority Vote.—Locals and other subordinate bodies should be permitted to disaffiliate from International Unions which they disfavor by a 50 percent plus one vote after due notice to all members.

4. Broaden the Scope of Judicial Review of a Decision by the Secretary of Labor to Decline to Challenge a Union Election in Court

At present Title IV of the LMRDA covers the conduct and review of internal union elections. Members of a labor organization have the option of invoking the assistance of the U.S. Department of Labor once they have pursued their internal

union remedies for three calendar months. The Department of Labor is then empowered to investigate the election to see if there were violations of the law and if such violations probably affected the outcome of the election. If the Department of Labor's determinations as to these questions are in the affirmative, then the Department has sixty days from the time the member filed with the Department to file suit in federal court to overturn the election and secure a rerun. If the Department of Labor determines that, despite violations, the outcome of the election probably was not affected then, under present case law, only a highly limited and wholly insufficient review of the Secretary's decision is possible in federal court.

The case of *Balanoff* v. *Donovan*, (111 LRRM 2593, September 9, 1982, U.S. District Court, Northern District of Illinois), gives a short summary of the present state of judicial interpretation of this area of the Landrum-Griffin Act:

"Prior to the Supreme Court's decision in *Dunlop* v. *Bachowski*, 421 U.S. 560, 89 LRRM 2435 (1975), it was unclear whether the courts had jurisdiction to examine a refusal by the Secretary to sue. The Secretary's position was that his decision was unreviewable(.) . . . The Bachowski Court rejected this claim as overbroad. . . . (T)he Court restricted the form of inquiry which can be made during an examination into the Secretary's behavior:

"Except in what must be the rare case, the court's review should be confined to examination of the 'reasons' statement, and the determination whether the statement, without more, evinces that the Secretary's decision is so irrational as to constitute the decision arbitrary and capricious."

This situation gives parties who are dissatisfied with their treatment by the Department of Labor far too little right to review in the courts.

I would specifically propose that Congress amend Title IV of the LMRDA to provide for a standard of judicial review of adverse determinations of the Secretary of Labor equivalent to that which it established for judicial review of determinations of the National Labor Relations Board. In 1947 Congress made it clear, in the Taft-Hartley Act, that a reviewing court is not barred from setting aside a NLRB decision when it cannot conscientiously find that the evidence supporting the decision is substantial. A decision of the Secretary of Labor refusing to seek to overturn an internal union election should be subject to the same standard of review. The substantiality of the evidence relied upon by the Secretary can best be determined by judicial review of all the evidence presented to him. See Sections 10(e) and 10(f) of the Labor Management Relations Act for guiding language in this area.

5. *Amend the Labor Management Relations Act to Fully Insure the Preservation of Statutory Labor Law Rights for Organized Workers*

Congress should specify that, as a matter of federal labor policy, no collective bargaining agreement or state or federal law shall permit lower standards for organized workers than for unorganized workers covered by the law.

In California, the state's Industrial Welfare Commission has promulgated what it calls a Public Housekeeping Order. This order covers employees who work in the hotel and restaurant industry throughout the state. Employers, pursuant to the Order, are required to pay their employees, in most situations, time-and-a-half pay for all work done over eight but under twelve hours in a work day. The main exception to this wage section of the Order is the part which removes coverage of the section for those employees covered by a collective bargaining agreement. In HEREIU Local 2, the result for the members is that they, pursuant to their contracts, are only paid time-and-a-half beyond their twelfth hour while their unorganized bretheren are paid more. Election of an exclusive bargaining representative, per se, should not be a basis for undercutting employees' rights to the equal protection of minimum labor standards. This should be the law throughout the United States.

I have read and reviewed each page of this declaration and I swear, to the best of my knowledge and belief, that the statements contained herein are true and correct.

JONATHAN PALEWICZ.

April 25, 1983.

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